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FBIS-SOV-95-113 CONTENTS *13 June 1995*

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INTERNATIONAL AFFAIRS

Preparations Under Way for Halifax G-7 Summit 1
    Ambassador Outlines Summit Agenda *[TRUD 10 Jun]* 1
    Yeltsin's Probable Meetings Noted *[ITAR-TASS]* 1
    Spokesman on Yeltsin's Preparations *[INTERFAX]* 1
    Moscow To Seek More Debt Rescheduling *[ITAR-TASS]* 2
    Cooperation on Debt Problem May End *[ROSSIYSKIYE VESTI 10 Jun]* 2
Paper Comments on Leak of G-7 Draft Communique *[KOMMERSANT-DAILY 10 Jun]* 2

INTERREGIONAL AFFAIRS

Kazimirov on Russian Role in Caucasus *[VREMYA 7 Jun]* 4
Growing 'Narcomafia' Networks Examined *[LITERATURNAYA GAZETA 31 May]* 7

RUSSIA INTERNATIONAL AFFAIRS

Russian, U.S. Businessmen Meet in Las Vegas *[ITAR-TASS]* 11
Summit Results, Iran Nuclear Deal Analyzed *[MOSKOVSKIYE NOVOSTI 14-21 May]* 11
Arrested Gangster's U.S. Activities Outlined *[KOMSOMOLSKAYA PRAVDA 10 Jun]* 12
Ukrainian Minister Welcomes Fleet 'Compromise' *[IZVESTIYA 14 Jun]* 13
Yeltsin Aides Welcome Duma Declaration on Balkans *[INTERFAX]* 14
Canadian, Norwegian Ministers on Russia Relations *[ROSSIYSKIYE VESTI 10 Jun]* 14
DPRK Acceptance of ROK-Style Reactors Viewed *[Moscow International]* 15
Commentator on Implications of Li Lanqing Visit *[Moscow International]* 15
Lobov Interviewed on Reviving Ties With Africa *[TRUD 10 Jun]* 16
Russia Seeks Nuclear Plant Contracts Abroad *[London THE TIMES 12 Jun]* 16
Zhirinovskiy Aide in Military Talks With Iran *[ITAR-TASS]* 17
EU Delays Trade Accord Because of Chechen Crisis *[ITAR-TASS]* 17

RUSSIA NATIONAL AFFAIRS

Political Issues

Yeltsin Returns to Work in Kremlin *[Moscow Radio]* 19
Chechnya War, Reforms Seen as 'Incompatible' *[IZVESTIYA 9 Jun]* 19
Center-Region Relations 'Streamlined' *[ROSSIYSKAYA GAZETA 10 Jun]* 21
Republican Party Leaders View Prospects *[PRAVDA 10 Jun]* 22
GUO Chief Barsukov 'Real Boss' of Kremlin *[KOMSOMOLSKAYA PRAVDA 9-16 Jun]* 23
Three Versions of FSB-Police Clash Offered *[IZVESTIYA 10 Jun]* 25
Criminal Ringleaders Detained in Sochi *[IZVESTIYA 1 Jun]* 27

Federal Assembly

Duma Asked To 'Condemn' NATO Action in Bosnia *[KRASNAYA ZVEZDA 10 Jun]* 31
Election Law Commission Conclusions Detailed *[ROSSIYSKAYA GAZETA 10 Jun]* 31
Duma Economic Policy Committee Head Interviewed *[VECHERNIY NOVOSIBIRSK 2 Jun]* .. 31
Committee Meets To Set Up Council of Compatriots *[ITAR-TASS]* 33

Regional Affairs

Update on Battlefield Situation in Chechnya 33
    Russians: 3,000 Fighting for Dudayev *[ITAR-TASS]* 33
    Dudayev Sends Saboteurs to Ingushetia *[Radio Rossii]* 33
    Troops Closing On Shatoy *[ITAR-TASS]* 33
    Dudayev Said Planning Groznyy Attacks *[INTERFAX]* 34
Turkish Organizations' Aid for Dudayev Chechens Viewed *[KOMSOMOLSKAYA PRAVDA 10 Jun]* 34
Tatarstan Council on Land, Financial Reform *[IZVESTIYA TATARSTANA 7 Jun]* 35
Edict on Tatarstan Light Industry *[RESPUBLIKA TATARSTAN 8 Jun]* 37
Tatarstan Deputy Views Draft Laws on Regions *[RESPUBLIKA TATARSTAN 8 Jun]* 37
Tatarstan, Bulgaria Sign Trade Agreement *[ITAR-TASS]* 38
Voronezh Oblast Political Conflicts Viewed *[ROSSIYSKIYE VESTI 9 Jun]* 39

Economic Issues

Supporting Dollar Said Advisable, Noninflationary *[ROSSIYSKAYA GAZETA 10 Jun]* 39
Moscow Currency Dealing Seminar Scheduled *[EKONOMIKA I ZHIZN May]* 41
Options for Sberbank Privatization Aired *[IZVESTIYA 9 Jun]* 43
Chubays Chairs Conference on Coal Industry Finances *[RABOCHAYA TRIBUNA 9 Jun]* 43
Concern Persists for Coal Industry's Future *[RABOCHAYA TRIBUNA 9 Jun]* 44
Oil Industrialists Seek Change in Tax Policies *[IZVESTIYA 9 Jun]* 45

UKRAINE

International Affairs

Ukraine Will Not Attend G-7 Summit in Halifax *[UNIAN]* 46
Foreign Minister: Yeltsin To Visit in July *[UNIAN]* 46
Foreign Minister Cited on Black Sea Fleet Talks *[Kiev Radio]* 46
Russia Accused of Blackmail Over Black Sea Fleet *[UNIAR]* 46
Supreme Council Official: Russia To Pay for Base *[UNIAN]* 47
Fate of Black Sea Merchant Fleet Eyed *[IZVESTIYA 10 Jun]* 47
Foreign Ministry Denies Link to Zirconium *[INTELNEWS]* 48
UK Armed Forces Chief of General Staff Visits *[UNIAN]* 48
Legislators Approve Cooperation Bills With Canada *[HOLOS UKRAYINY 9 Jun]* 49

National Affairs

Kuchma Reportedly Planning Government Reshuffle *[UNIAN]* 49
Justice Minister: Election Law 'Can Be Approved' *[INTELNEWS]* 49
Communists Refuse To Nominate Government Candidates *[Kiev TV]* 50
Socialist Party Condemns 'Constitutional Agreement' *[MOLOD UKRAYINY 9 Jun]* 50
Socialist Party To Remove Moroz From Leadership *[UNIAN]* 50
Republic Movement Disrupts Russian Party Meeting *[INTELNEWS]* 50
Crimean President's Health 'in Danger' *[ITAR-TASS]* 50
Problems of Radioactive Storage in Donetsk Oblast *[INTELNEWS]* 50

Economic Issues

Economics Minister on Conservation, Stability *[INTELNEWS]* 51
National Bank Reduces Discount Rate to 75 Percent *[INTELNEWS]* 52
    Effects of Cut in Bank Discount Rate *[INTELNEWS]* 53
Banks' Problems Noted, Efforts Praised *[IZVESTIYA]* 53
UNIAN Provides Commercial Bank Statistics 55
IMF Experts Drawing Up Credit Plan *[Kiev International]* 55

WESTERN REGION

Belarus

China Donates 3 Million Yuans Worth of Goods *[BELAPAN]* 56
Data on Foreign Firms' Share in National Economy *[NARODNAYA GAZETA 8 Jun]* 56
President Provides 'Instructions' at Cabinet Meeting *[BELAPAN]* 56
Lukashenka Requested To Convene New Parliament *[Minsk Radio]* 56
Hryb Offers 3 Solutions To Parliamentary Crisis *[INTERFAX]* 56
BNF Views Election Results, Sets Tasks *[MMC]* 57
Democratic Parties Assess Elections *[SEM DNEY 10 Jun]* 57

Moldova

Bashkan Election Completes Gagauzia Power Structure *[INFOTAG]* 58
Tabunshik Wins Elections in Gagauzia *[INFOTAG]* 59
    New Leader Sets Out Future Policy *[ITAR-TASS]* 59

CENTRAL ASIA

Kazakhstan

Turkish President Arrives; Welcomed by Nazarbayev *[Almaty TV]* 61
    Nazarbayev, Demirel Sign Agreements *[ITAR-TASS]* 61
President Receives French Constitutional Experts *[Almaty TV]* 61
    Endorses Main Provisions of Constitution *[INTERFAX]* 61
Chairman Sarsenov on NKPK Progress, Goals *[KAZAKHSTANSKAYA PRAVDA 6 Jun]* 62

Kyrgyzstan

Central Asian Cooperation Conference Ends *[KYRGYZKABAR 12 Jun]* 64
State Budget Adopted After Heated Debate *[KYRGYZKABAR 12 Jun]* 65
Government To Ban Export of Metals *[ITAR-TASS]* 65

Tajikistan

Butrus-Ghali: Intra-Tajik Talks 'Insignificant' *[ITAR-TASS]* 66
Karimov on Strengthening Moscow Region Economic Ties *[Dushanbe Radio]* 66
Minister: Cross-Border Drug Trade Expanding *[INTERFAX]* 66
Anti-Drug Sweep Under Way in Republic *[ITAR-TASS]* 67
Interior Minister Salimov Interviewed *[Dushanbe Radio]* 67

CAUCASUS

Armenia

U.S. Influence on Government Criticized *[SNARK]* 69
President Presents Election Platform of Ruling Bloc *[NOYAN TAPAN]* 69
Election Arrangements Disenfranchise Refugees *[PRAVDA 10 Jun]* 70
Party Election Campaign Activities Viewed *[GOLOS ARMENII 30 May]* 70
Party Official Outlines NPGS Platform *[GOLOS ARMENII 8 Jun]* 72
Manukyan on National Democratic Union Plan *[GOLOS ARMENII 6 Jun]* 73
Prime Minister's Monetary Policies Scored *[GOLOS ARMENII 8 Jun]* 74

Azerbaijan

Delegation To Negotiate With Armenia Through OSCE *[TURAN]* 77
Recent Activities in Legislature Reviewed *[ZERKALO 3 Jun]* 77
Party Views on Election Law Examined *[ZERKALO 3 Jun]* 78

Georgia

Foreign Minister on Official Visit to Turkey 79
    Chikvaidze Arrives in Turkey *[ITAR-TASS]* 79
    Received by Turkish Counterpart *[ITAR-TASS]* 80
Russian Military, UN Observers Arrive in Gali *[CONTACT INFORMATION AGENCY]* 80
Chechen Organization Raising Funds for Arms *[Tbilisi Radio]* 80
Shevardnadze Views Domestic, Foreign Issues *[Tbilisi Radio]* 80
Air Defense Forces Launch Alert Duty Watch *[KRASNAYA ZVEZDA 10 Jun]* 83

BALTIC STATES

Estonia

Defense Minister on NATO Meeting in Brussels *[Tallinn Radio]* 84
President Sends Congratulations to Yeltsin *[Tallinn Radio]* 84
Russian Parliamentary Delegation on Working Visit *[Tallinn TV]* 85

Latvia

Rules on International Operations Approved *[BNS]* 85
Government To Cut Expenses, Fire Officials *[LETA]* 85

Preparations Under Way for Halifax G-7 Summit

Ambassador Outlines Summit Agenda

MM1206102795 Moscow TRUD in Russian 10 Jun 95 p 3

[Report by Valentin Simonin: "What Can Be Expected of Halifax Summit?"]

[FBIS Translated Text] On Thursday Mr. Jeremy Kinsman, Canadian ambassador to the Russian Federation, held a briefing for Russian and foreign journalists on the upcoming meeting of the heads of state and government of the so-called "G-7" major industrial countries to be held in the Canadian city of Halifax.

The meeting will open 15 June with a supper at which the leaders of Britain, Germany, Italy, Canada, the United States, France, and Japan will discuss a number of global economic problems. The topics of improving international financial institutions, especially the IMF, and of job creation in the "G-7" countries will probably be raised, the ambassador noted. The exchange of opinions will continue at the 16 June morning meeting, and also during a working dinner. Then a plenary session will be held, and the leaders will sign a joint statement on the results of the discussions.

That is the first part of the summit, Jeremy Kinsman stressed, and the second part will begin with Russian President Boris Yeltsin, who will arrive in Halifax during the middle of the day on 16 June, joining in the talks. He will take part in a working supper, at which the Russian president will have an opportunity to express his opinion on all the questions under discussion.

On the morning of 17 June a plenary session of heads of the "G-8" will be held, at which the participants will exchange opinions on topical political problems, both global and regional. Canadian Prime Minister Jean Chretien will make public the statement.

Journalists asked whether specific decisions will be adopted on any of today's acute problems, Bosnia, for instance. "Probably not," the ambassador replied. "These meetings are primarily about frank discussion, the exchange of opinions, and maybe the coordination of common approaches to particular problems. Specific measures or plans after these meetings may be something to be formulated by the appropriate institutions of the 'G-7' countries."

As for Russia, so the Canadian ambassador believes, The Halifax summit will discuss how to provide it with access to world markets and membership of a number of international trade organizations. A joint quest for effective measures to resolve these problems is needed. That the West is serious about this, Jeremy Kinsman stressed, is also shown by the fact that the Russian side took part in preparing the Halifax meeting for the first time.

The reader will probably have noticed that almost all the talks in Halifax will take place at luncheons, dinners, and suppers. Journalists asked whether this means that the summit participants will have to do without some of "life's little pleasures" when they dine. "They will probably be given the opportunity to sample fine Canadian wines," Mr. Jeremy Kinsman replied in conclusion.

Yeltsin's Probable Meetings Noted

LD1306064495 Moscow ITAR-TASS in English 0612 GMT 13 Jun 95

[By Nikolay Setunskiy]

[FBIS Transcribed Text] OTTAWA June 13 (Itar-Tass) — It is quite probable that President Boris Yeltsin will hold bilateral meetings with U.S. President Bill Clinton and French President Jacques Chirac during the summit of the heads of state and government of eight countries in Halifax, Canada, Itar-Tass learnt from diplomatic sources in the Canadian capital on Monday.

Earlier, an official statement was made on a meeting between the Russian president and Canadian Prime Minister Jean Chretien.

The Canadian cabinet head, as summit chairman, will inform Yeltsin of a G-7 discussion of global economic questions before the Russian leader joins this discussion at a dinner on June 16.

Spokesman on Yeltsin's Preparations

LD1306121795 Moscow INTERFAX in English 0940 GMT 13 Jun 95

[FBIS Transcribed Text] MOSCOW, June 13 (Interfax) — Boris Yeltsin's working schedule for Tuesday was drawn up while keeping in mind the need to prepare for the upcoming G7 meeting in Halifax (Canada), presidential spokesman Sergey Medvedev reported to Interfax.

According to Medvedev, Yeltsin plans to meet today with a number of experts who will help him prepare materials for the summit in Canada. The Russian delegation led by President Yeltsin is to fly off on the morning of June 16.

Moscow To Seek More Debt Rescheduling

LD0906193895 Moscow ITAR-TASS in English 1930 GMT 9 Jun 95

[By Andrey Serov]

[FBIS Transcribed Text] MOSCOW June 9 (Itar-Tass) — Russia will seek to consolidate its success in global rescheduling of its debts at the Halifax summit of leaders of rich nations, first Deputy Prime Minister Anatoliy Chubays told a news conference here today.

Chubays said Russia would raise "specific economic questions" at the summit.

A crucial issue is the global rescheduling of Russia's debts.

Russia had succeeded twice in managing this problem, Chubays said.

On June 2, Russia signed with the Paris club an agreement, whose addendum states the club's positive attitude to the rescheduling of Russia's debt. Rescheduling negotiations have been set for the autumn of this year. The Russian delegation to the Halifax summit will try to clinch the success.

Chubays said the Russians would also ask the International Monetary Fund for special borrowing rights.

"It is our opinion that from the perspective of global justice this type of resources must be distributed in a different way," Chubays said. He said Russia had already come up with a programme for resolution of this lingering problem.

The Russian leadership will request the Canada summit to hasten the admission of Russia to GATT and the World Trade Organisation.

The Russian delegation will raise a number of questions relating to Russia's status as a trading power and to the current restrictions on Russian aluminum, textile and some other exports to Europe and the U.S.

Chubays said Russia's present incorporation into the world economy is far more serious than it was two-three years ago, and this gives it the right to raise not only Russian but also global problems at the Halifax summit.

Cooperation on Debt Problem May End

MM1206131695 Moscow ROSSIYSKIYE VESTI in Russian 10 Jun 95 p 2

[Unattributed report: "Problem: West Steps Up Financial Pressure on Kremlin"]

[FBIS Translated Text] The United States is discussing increasingly frequently the subject of reducing the amount of aid for Russia. A trend has emerged for Western countries to also step up the pressure on matters of Russian trade and economic cooperation with developing and former socialist countries. The U.S. actions with regard to the contract to supply Iran with nuclear reactors are a typical example of this.

The talks on rescheduling the former USSR and Russian Federation debt within the framework of the Paris Club of official creditors and the London Club of financial creditors of the former USSR countries are constantly encountering a toughening of the creditors' positions on the question of the long-term rescheduling of the debts.

The Paris Club of creditors is insisting on concluding short-term agreements on rescheduling debts due this year. This view was voiced during the G-7 finance ministers' meeting this April. This Western stance was also confirmed during the 1-2 June session of the Paris Club. Thus, despite the clear trend toward stabilization in the Russian economy, the leading creditor states are refusing to take a global approach to the problem of settling the Russian debt.

According to high-ranking Russian official circles, in the current situation Russia may refuse to continue the debt rescheduling talks within the Paris and London Club framework and may raise the question of having its debts wholly or partially written off in the hope of reaching accords in principle on this problem during the G-7 meeting in Halifax.

Paper Comments on Leak of G-7 Draft Communique

MK1006104095 Moscow KOMMERSANT-DAILY in Russian 10 Jun 95 pp 1, 4

[Report by Natalya Kalashnikova under "Preparations for the G-7 Summit" rubric: "The Fall of Maple Leaves in Halifax Environs"]

[FBIS Translated Excerpt] Preparations for the G-7 summit — a seemingly routine process — are taking on a sensational flair as the event draws near. Against this background even yesterday's statement by a Downing Street representative that John Major intends to meet with Boris Yeltsin "outside the summit," even though neither the agenda of this meeting nor its date have been coordinated so far, appears almost trivial. The statement by the IMF head, made in the course of a talk with the summit host, Canadian Prime Minister Jean Chretien, is little more impressive: Camdessus is ready to support the proposal on selling IMF gold stocks to increase the fund for assistance to countries "in trouble" if the G-7 agrees to a corresponding increase in appropriations for these purposes. All this is merely diplomatic bustle compared to an event which defies all diplomatic canons: Contrary to all traditions of confidentiality, a draft final communique of the G-7 meeting on economic matters was unexpectedly made public in Canada. Notably, the part of it that talks about Russia. [passage omitted]

But this is not all. Jeremy Kinsman, Canada's ambassador to Russia, held a briefing 8 June in which, without citing the above document, he in effect commented on it. According to him, the G-7 leaders will "apparently support" Russia's intention to join GATT/WTO: "This will be about giving general support to Russia's strategy toward integration, not deciding any concrete questions." The ambassador also commented favorably on Yeltsin's intention to raise in Halifax the question of Russia's recognition as an international creditor. [passage omitted]

While giving credit to the ambassador's diplomatic politeness and the undoubted hospitality of the Canadians, who are receiving not only the traditional "Seven" but also the Russian leader, it would be wrong to ignore a surmise that logically suggests itself: In the fine art of diplomacy a leak is not an omission, but a tool. One cannot help noticing that the information tap started flowing just in time. The problems submitted to the political "Eight" meeting — Bosnia, NATO — and most importantly, the positions of the "Seven" and Russia on these matters, have only grown more acute as the summit approaches. Having signed its partnership with NATO a few days ago — a gesture clearly designed among other things to facilitate the dialogue in Halifax — Moscow almost in the same breath refused to take part in a North Atlantic Cooperation Council session. Yes, the agreement was signed by Andrey Kozyrev while it was Pavel Grachev who did not go to Brussels, but the interdepartmental discord (if the incident is reduced to this level) gives the G-7 cause for a generalization: Moscow lacks a single point of view on such a delicate and vital problem; a struggle of opinions is under way, and therefore Boris Yeltsin needs to be treated more carefully by the West.

Bosnia: The G-7 itself lacks agreement on ways of resolving the conflict but the partners do not think that Russian influence on the Serbs has ceased to be a factor. Yeltsin for his part missed no chance to "take offense" at his colleagues, stating that they are turning to him when it is they who have brought the situation to deadlock. Finally, the Russian-Ukraine summit which began yesterday could become reason to please Moscow (and at the same time not to aggravate Kiev, coddled by the West): Moscow watches Kiev's success stories in the Western sector not without jealousy (take, for instance, the recent EC decision to put a temporary agreement with Moscow on hold but to go ahead with the same agreement with Kiev).

So far only a draft document, even though favorable to Russia, has been leaked: In the course of the summit itself the G-7 leaders could change it beyond recognition. But, experience shows, quite often much depends on the chairman. They say that at the Naples G-7 meeting Silvio Berlusconi "steered" the final communique to adoption within minutes, presenting it not by the article but by the page. But this was a spirited Italian. And this was last year when the world did not even know Chechnya existed. And when Western politicians did not even think about using the word Russia in context with such phrases as "violation of human rights" and "freezing partnership." The situation is changing fast: This may not be the last leak.

Kazimirov on Russian Role in Caucasus

954F2498A Yerevan VREMYA in Russian 7 Jun 95 pp 1-2

[Interview with Vladimir Kazimirov, representative of the cochairman of the Minsk Conference on Nagornyy Karabakh, exclusive to the SNARK agency; place and date not given: "'Russia's Greatest Interest in the Transcaucasus Is Peace and Stability'"]

[FBIS Translated Text] [SNARK] What is the purpose of your current visit to the region?

[Kazimirov] I wanted to take advantage of a relative pause between two rounds of negotiations—the recent one in Moscow and the upcoming one in Helsinki—to listen more attentively to the position of all sides. I also wanted very much to spend some time with the top leadership of Azerbaijan, Armenia, and Nagornyy Karabakh.

[SNARK] Was the visit initially planned only for Baku or did you also intend to visit Armenia from the outset?

[Kazimirov] I intended to travel to Baku and then decide on the next step depending on the circumstances: If there was something that would warrant continuing the trip after Baku, I would go. If there was nothing of substance, most likely I simply would have returned to Moscow. Sometimes you have to make decisions as you go.

[SNARK] And why Baku of all places; what is the reason?

[Kazimirov] On 28 May Baku celebrated a national holiday of the Azerbaijan Republic. My Azerbaijani friends and colleagues invited me to be there on that day. But, of course, much depended on how the negotiations would proceed in Baku with the Azerbaijani president. We discussed different options, and Aliyev graciously detached an Azerbaijani airplane to take me to Yerevan and continue my trip.

[SNARK] Before your arrival in Baku, [name illegible] Guluzade, state adviser on foreign policy issues to the Republic of Azerbaijan president, said at a press conference that "all previous visits by Russian envoy Kazimirov to Baku had been in vain and had produced no significant results for the peace talks." How would you comment on this?

[Kazimirov] Let him believe what he believes. I think every person has the right to make his own judgment. If he wants to see it this way, let it be this way for him.

[SNARK] But he is a high-ranking official. Is this his personal opinion or Baku's official position?

[Kazimirov] I can tell you that I did not hear anything of the sort from his immediate superior—the president of Azerbaijan. If Guluzde expresses the president's opinion, then let us believe that it is all in vain: There is no cease-fire, bloodshed continues, and so on.

[SNARK] You said in the Azerbaijani capital that in the Minsk Group's opinion, sabotage on the territory of a third country cannot be linked with the negotiation process. Is this correct?

[Kazimirov] As representatives of the Minsk Conference cochairmen, we asked ourselves three questions. They boil down to the following:

First. Should we consider these explosions on the gas pipeline and the railroad leading to Armenia related to the Karabakh conflict? Apparently, there is such a connection. This requires a more detailed investigation and it is not for us to engage in it. So far, there is no more tangible proof of its link with the Nagornyy Karabakh conflict. This is our intermediate answer to the first question.

Second. Should we view these actions as a violation of the cease-fire agreement, as the Republic of Armenia MFA [Ministry of Foreign Affairs] presents it? Of course, it cannot be considered a violation of the cease-fire agreement, since this is happening on the territory of another state outside the military action zone. But by their nature, by their destructive, destabilizing consequences these actions must be denounced in a most resolute and unequivocal manner.

Finally, third. Should we link these explosions with the course of the negotiations? We believe that we should not. This should not be done because negotiations on a political agreement to extinguish an armed conflict at the current phase of the settlement are of key importance. Riding on this agreement is, first, closing off the armed phase of the conflict, since what we have now is a not-too-solid cease-fire agreement rather than an agreement on suspension of military actions. Second, this agreement opens the way to a phased, gradual recovery from the negative grave consequences of this conflict for all sides. Third, only on the basis of a political agreement can we build a bridge to an OSCE peacekeeping operation. Fourth, only after signing such an agreement will a real opportunity emerge to convene the Minsk Conference.

This is the significance of this agreement at the current stage of the settlement. Keeping in mind its importance, our common task is to provide for the stability and irreversibility of the negotiating process. If particular events, regrettable as they are, set back the negotiating process each time, we will not get far. Therefore, we believe that we cannot link the explosions with the negotiating process—we need to search for means to influence them, to resolve these problems.

[SNARK] What means of influencing them do you see?

[Kazimirov] First and foremost, cooperation with the Government of Georgia, since its territory is involved. And we probably need the goodwill of all those who may be connected to this to some extent: by deed, or simply connected to the situation that has developed around these events.

[SNARK] Sabotage takes place mainly in the regions of Georgia populated by Azerbaijanis. The Republic of Armenia MFA said unequivocally that the Armenian Government has incontrovertible proof that official Baku is behind all these events. Therefore, the Armenian Government has invited the OSCE mission to look into it. If proof is presented, can it be expected that the OSCE will find a way to exert an influence?

[Kazimirov] Regarding sending an OSCE fact-finding mission, this question must be decided by the current OSCE chairman. We know that there is a small OSCE representation in Tbilisi. In March of this year we asked the current OSCE chairman to send an inquiry to the Georgian authorities through the Tbilisi representation, to clarify this situation if possible. As the current chairman's representative, Hungarian Ambassador Marton Krasnan, said at the OSCE Permanent Council meeting in Vienna, the current chairman intends to take adequate measures in this respect in connection with the latest events. As to proof, this is up to the side that possesses it. We were not specifically appraised of this proof. And I would say that the Minsk Conference cochairmen have two priority tasks defined by the Budapest summit: maintaining the cease-fire status and the soonest possible negotiations on signing a political agreement on eliminating the armed conflict. This is what we are concentrating on first and foremost. The fact that one of OSCE member states appeals to this organization and brings up questions that affect its security is natural, and I think it has the right to expect the appropriate action from the OSCE.

[SNARK] May we assume that in the course of your latest meeting with the republic leadership you tried to convince the Armenian side to return to negotiations within the framework of the Minsk process?

[Kazimirov] Absolutely. The Armenian top leadership is pondering this situation and apparently will make an appropriate decision when needed.

In the course of the OSCE Permanent Council meeting in Vienna, a statement of the Minsk Conference's current chairman and cochairmen on this matter was published. Its authors welcomed the constructive round of negotiations and the latest Minsk Conference meeting in Moscow. They denounced any terrorist and sabotage acts, including actions on engineering communications—the gas pipeline, and the railroad leading to Armenia. They appealed to the Government of Georgia to take adequate measures to maintain order and normal functioning of these communications, and also called on the Government of Armenia to continue its participation in the negotiating process. They expressed satisfaction over the fact that the cease-fire had been maintained for more than a year, as well as with the implementation of actions involving the release and repatriation of prisoners of war and detained civilians. The concluding part expressed a firm belief that a comprehensive settlement of the conflict will be reached at the Minsk Conference of the OSCE. This is approximately the content of the statement.

[SNARK] In your opinion, will negotiations in Helsinki continue even if Armenia does not reverse its decision?

[Kazimirov] I would like to express not only the hope but also the confidence that the Armenian side will continue its participation in this negotiations process. As I see it, this response to the issue—and this is my personal opinion—served more the purpose of attracting attention to the abnormal situation emerging because of systematic acts of sabotage of communications leading to Armenia.

[SNARK] The Helsinki negotiations will begin on 15 June. But we have already received an alarming signal from Stepanakert. This concerns Azerbaijani fighter planes showing up at NKR [Nagornyy Karabakh Republic] borders after a civilian airplane from Yerevan landed at Stepanakert airport for the first time after a four-year interruption. The statement of the Azerbaijani Ministry of Defense on this subject says that in the event flights from Yerevan to Stepanakert are resumed, extreme measures will be taken—that is, civilian airplanes will be shot down. If, as we are told, the negotiating process was pulled out of a dead end during the latest round in Moscow, what does all this mean?

[Kazimirov] The mutation capacity of conflict situations is extremely high, and any affair will sprout a new shoot if the root of the conflict is not cut out, the tree cut down, and the ground cleared. Therefore, various sorts of conflict situations and incidents have emerged and will continue to emerge. It would be desirable, of course, for the parties to be guided more by reason and cold calculation instead of emotions. I would like to believe that the discussion of this issue will move onto the plane of calm discussion instead of mutual threats.

[SNARK] Do you not think that freezing the situation, which is being discussed a lot lately, will permit use to be made of the time factor, which to a certain extent may play a positive role?

[Kazimirov] You know, I have to disagree with you. A negotiating process is like a bicyclist, who firmly stays in the seat as long as he is moving, but if you stop his momentum, he has to be a master at a balancing act in order not to lose equilibrium or jump off the seat. The dynamics of the negotiating process, the dynamics of settlement, are a very important factor. The time factor also is important. You believe, for instance, that fixing the current status is better. But think about it from the standpoint of hundreds of thousands of Azerbaijani refugees, who live in tents, freeze in the winter, and suffer during the unbearable heat. How acceptable to them is this patient attitude? We have to have a realistic view of the situation and how it affects people's fate.

[SNARK] Some time ago disagreements between Russia and other members of the Minsk Conference were common. Do they persist? And something else. The Transcaucasus is a sphere of Russia's vital interests. Did Moscow's consent to the Budapest summit decisions mean Russia's retreat from some of its former positions?

[Kazimirov] The Budapest decision is valuable in that it is aimed at solving four main tasks. Frequently, only the two that are right on the surface are noticed: creating cochairmanship of the Minsk Conference and the potential OSCE peacekeeping operation. The two other aims are, on the other hand, underestimated: directing all efforts toward a cease-fire and conducting negotiations on a political settlement. Cochairing the Minsk Conference was, of course, a compromise between some of our partners in the Minsk group and Russia; it was a desire to merge all mediation efforts and ensure mutual compliance and coordination of these decisions.

As to disagreements, they did exist. I told you that Russia has always attached priority to a cease-fire. This aim was not always met with full understanding by our Minsk group partners. They frequently emphasized the importance of preserving the negotiating process. This, of course, also is very important, but stopping bloodshed has always been of supreme importance for us, and we considered it an imperative in the settlement. This disagreement frequently created collision situations. Fortunately, after Budapest things improved considerably, although one cannot say that all our partners gave up certain geopolitical designs. Once in a while recidivists of such mentality do manifest themselves. For us, the main subject is settling the conflict per se. This will benefit everyone: the peoples of the region, the Russian Federation, the international community. We have no doubt that our common interests coincide in that we all want the conflict to be settled. And we should base the conduct and coordination of actions on this factor. When geopolitical designs are brought into this, squeezing out a particular partner, his influence, reducing his capabilities, putting restraint on his efforts—all of this, of course, is far removed from the real, serious purposes of the settlement. Let us hope that these sort of relapses will manifest themselves increasingly less frequently.

[SNARK] What scope of work is planned for Helsinki?

[Kazimirov] In Helsinki, negotiations will continue along two lines. First, the traditional—working on the text of the draft agreement. Of the 16 points of the agreement, 10, if I remember correctly, have been completely worked out to mutual satisfaction.

The second line is discussing the key problems of the settlement, which were discussed in the first reading during the Moscow round.

[SNARK] To what extent does the problem of a pipeline for transporting the Caspian oil affect, or not affect, the process of settlement in the Karabakh conflict? Is there a direct link?

[Kazimirov] You know, I have to tell you in this respect about my personal approach to this issue. I try to shield, in every way possible, our work on conflict settlement from the influence of other factors, no matter how important they may be even for the Russian Federation. This is what some of our partners are guilty of—geopolitics. Our task is to shield the work of the mediating mission to the extent possible from the influence of problems associated with the oil pipeline, and other factors. It may even seem to you a somewhat artificial position, because one cannot live in a society and be free from it. But if we consciously permit some factors to influence the work on conflict settlement, then pursuit of specific national or state interests will come to the forefront, and this will override the purpose of reaching a settlement in the conflict.

I believe that the Russian Federation's highest priority in the Transcaucasus is peace and stability. It is not the pipeline, whichever route it may take. Peace and stability override other concrete aspects, even those that are important in themselves. Because when we have peace and stability in the Transcaucasus, other questions will be resolved, and probably on the basis of taking into account the interests of all states in the region. This is in the interest of Russia, and Azerbaijan, and Armenia, and Iran, and Turkey, because they also are interested in extinguishing this seat of conflict. Imagine that after a year of cease-fire the truce is derailed. Not by some isolated shots, but seriously. The severity of the conflict would increase many times over compared to the first phase. People would feel hopelessness, lack of faith that this can all be resolved by political means. The threat of the conflict spreading geographically also would realistically increase. And the potential for internationalization of the conflict too. How can we permit such a prospect? If we follow these principles, which is what the Russian Federation is trying to do as an intermediary, then of course other interests, important as they are, become secondary. And this, if you wish, puts us in a more favorable light compared to some of our working partners in the Minsk group. Because they are not always able to put the interests of the settlement itself at the forefront, and bring in, or magnify, the importance of all sorts of geopolitical factors.

[SNARK] If everything continues at the same pace as we have observed over the past year, when is the signing of the agreement realistically possible?

[Kazimirov] Speaking of objective possibility, I am deeply convinced that it could be signed—even with the additional work required on the text and discussion of key problems—within a month. This is provided that the leaders of all conflicting sides really want this and are capable of taking the responsibility for it.

Keeping in mind, however, that the sides have not yet given up on the habit of coming up with maximalist demands, and each still hopes that a compromise would mean acceptance of its position, I would say we will be lucky if the agreement is signed in 1995.

Growing 'Narcomafia' Networks Examined

95WD0327A Moscow LITERATURNAYA GAZETA in Russian 31 May 95 No 22, p 13

[Article by Aleksey Vasilivetskiy and Vladimir Gubarev, IMA-PRESS, special to LITERATURNAYA GAZETA: "Aces of Spades. This Is Still the Main Suit in the Ranks of the Narcomafia Springing Up in the CIS"]

[FBIS Translated Text] Recently we chanced to hear a citizen, who had in his day been deemed by the court to be an especially dangerous recidivist, reminiscing about his last years in the camp: "If it were up to me, I would ban alcohol. Sometimes they used to bring us vodka at the camp, and everybody would get real mean from it—they'd pick fights with one another, and the thieves who 'looked after' the camp would bash their fists bloody, trying to separate everybody.... But if someone would throw a joint over the fence, the guys would take a drag, and everyone would be so fine! They'd lie there quietly, not bothering anyone, just being high."

"How Did You Get Here, Said?" "They Were Shooting...."

Not long ago, the newspaper ZAVTRA ["Tomorrow"], and then SEGODNYA ["Today"], published blood-chilling articles that were anonymous (but clearly belonging to the pen of the same author) about a "Moscow narcotics grouping" of former officers of the KGB and members of Dzhokar Dudayev's entourage, who were jointly flooding the world market with heroin and cocaine.

The article contained almost no facts. And those that were adduced raise strong doubts that the articles were prepared, as was expressed by the newspaper SEGODNYA, on the basis of operations data of the secret Feliks subdivision of the Russian special services.

One is astounded by the Homeric volume of the narcotics that are supposedly manufactured by criminals at a secret enterprise in Chechnya in 1994—30 tonnes of heroin! Usually, from 100 kilograms of raw opium one ends up with one kilogram of finished product. As a simple calculation shows, in order to get 30 tonnes, 3,000 tonnes of opium are needed. According to Western estimates, on the order of 2,500 tonnes were produced in all of Afghanistan last year. And after all, one must assume that the "white death" was exported from there via the traditional routes as well—through Karachi (Pakistan), Iran, or by air through the United Arab Emirates. Not enough poppies grow in Afghanistan to provide for such a factory! Let us even say that the anonymous author made a mistake—not 30, but three tonnes; even so, this is a monstrous amount.

The narcomafia dealers supposedly met for the last time, according to Feliks' data, for business negotiations in the Rossiya Hotel in the "teens of January" with the head Chechen mafioso, a certain Said, and also with U. Imayev and T. Abubakarov. There they specified changes in tactics in connection with the latest developments in the Caucasus. It is a shame that a more specific date was not named. It is up to us to name it: either 16 or 17 January. The thing is that Chechen Procurator General Imayev and Economics Minister Abubakarov flew into Moscow on 15 January for negotiations with Shakhray and Chernomyrdin. On 18 January at 1800 they had already arrived in Nazran from the capital. There is no doubt that during the visit they were securely in the sights of the special services....

The venue of the conspiratorial meeting can likewise not fail to elicit surprise. The risk of exposure was excessive.

It is characteristic that in the Feliks articles, no mention was made of the Chechen criminals who deal in drugs but who support the anti-Dudayev opposition, which our Army is now bringing to power in that much-suffering republic. Incidentally, in February we asked the head of military intelligence, Aleksandr Molyakov, a question: Would his colleagues not subsequently explain that supposedly they did not know what kind of people in the Chechen Republic were fighting with Dudayev? He smiled sweetly and answered: "We know everything about them now...."

Of the petty absurdities which with both the ZAVTRA and the SEGODNYA articles are studded, we will note one as an example. The base at which cocaine illegally imported into the CIS was kept was supposedly located in Razdan, and was guarded by people from the Mkhedrioni. "I do not know what Razdan has to do with it," we were told by Yerevan friends, who evaluate the situation in the republic competently. "For us, this place, as for a Muscovite, is, well, like Kostroma. It is on the periphery, far from the border, and there is no airport. But one thing is for absolutely certain: Principally speaking, no Mkhedrioni people can work on the territory of the Republic of Armenia without the knowledge of our special services."

Pamirs Freely Convertible Currency

We live in a state with a surprising economy, where the main shadow incomes derive from trade in raw materials, automobiles, and alcohol, and by no means from organized prostitution and the sale of drugs. But in a few years, one would like to hope, business will become more civilized and the opportunities for smugglers and swindlers to get rich will decrease. That will be the beginning of the real investment of shadow capital in drugs, which will become the most profitable illegal business. Now their transport is a fairly dangerous matter. Why take the risk, when some kind of letter of advice or an export license will give you the opportunity to earn 10 times more?

A real narcomafia is only forming on the expanses of the former USSR, and the primary role in it is, for the time being, being played by southerners—"the suit of spades," in criminal terminology. For it is precisely in the south that more and more territories are appearing where drug dealers feel as if they were in a wildlife-protection refuge.

The real narcotics space is being created by no means by the efforts of some mythical "Moscow center." The zones of instability that formed after the disintegration of the Union have turned out to be peculiar kinds of "black holes," in the legal respect. During the course of armed opposition, the sides participating in local conflicts had to resolve the problem of armament, the funds for which were obtained, in part, from the trade in and transshipment of drugs. The population of territories with an indeterminate status, which have achieved isolation, like, for instance, South Ossetia or Gornyy Badakhshan, face the necessity of physical survival. One may talk as much as one likes about the immorality of trading in drugs, but without resolving the problem of mass unemployment and the restoration of an economy ruined over the course of the wars, punitive measures, even under the aegis of Interpol or the UN, will come to nothing. If, even in "Europe-oriented" Kyrgyzstan, the question of the revival of opium-poppy sowing has arisen several times at the highest level, then what can be said of regions that have been ravaged by war.

The attention of the Russian public has been riveted lately to the Pamirs. Much has been said about Afghan opium, which has been conveyed into the CIS countries through the "roof of the world." But off-screen, as a rule, something else has remained—Gornyy Badakhshan has for more than two years now been under an undeclared economic blockade. And, essentially, the only source of livelihood for the local residents has become opium trafficking, or, as they call it here, "Pamirs currency." The murder at the end of last year, by means of a remote-controlled mine, of Lesha Gorbun, a trafficker with a Robin Hood image who was popular among the local population, did not lead to a reduction in the transshipment. Some journalists, it is true, wrote that there were no more "drug barons" on that scale in Gornyy Badakhshan. Well, about that one can be sanguine—there are other people in the Badakhshan settlements. But if the problem were only in the Pamirs....

During the past several years, a new channel has appeared with the Afghan traffickers: from Gilmend or Kandahar, where the poppies ripen in the hot southern sun, the opium is increasingly often transported to Herat, whence it goes to Iran and on to Turkey....through Turkmenistan, whose leader has many times declared that in his country it is all over with the mafia. Formally, the Afghanistan-Turkmenistan border is guarded, and by the Russian border troops, at that. In reality, however, as they themselves acknowledge in private conversations, everyone who needs to very much does cross it. The unsatisfactory technical equipment, the outflow of Russian officers, the low level of training and discipline of the local conscripts lead precisely to this.

In eight months of last year, 600 kilograms of dope was intercepted by the forces of Turkmenistan's National Security Committee and of the border troops. This opium, however, belonged primarily to incidental groups, which had no connection to the local population. Strangers do not go here, it is true. They are turned in immediately. But there are enough of their own.

As far as we know, the Turkmen drug dealers are conducting a search for channels for exporting opium across Russia, where prices are substantially higher, and for further transshipment. And dope is exported mainly across the Caspian by water transport, where the monitoring is significantly weaker than at the airports, although the air route is not excluded (last fall, there was a series of arrests of citizens of Turkmenistan at the Mineralnyye Vody airport—they generally carried 300-400 grams of opium each). At the present moment, the main delivery points are located in Dagestan. However, with the restoration of regular ferry communication between Krasnovodsk and Astrakhan, this route will also be put into operation.

The narcobusinessmen also feel free and easy in the North Caucasus, which is enveloped in local conflicts—in Georgia and Azerbaijan, and in Armenia, to a lesser extent. In general, drugs are a disease of war. In order to deaden the fear of death and the grief at the death of one's loved ones, many people get hooked on drugs.

Azerbaijanis have long occupied first place in police reports among those arrested for dealing in drugs, not the Chechens, who never made the weather on Russia's drug market. In this field those from Gyandzha (Kirovabad), and also Lenkoran, made a special name for themselves. In the past several years, in international narcobusiness, they have been beginning to play a new role as well: For example, they have now become proficient in making trimethylphentanyl (the famed "ice," a synthetic preparation several times stronger than heroin) in Turkey, and then they convey it across the border to Azerbaijani criminals for sale in the CIS.

Georgia in recent years has become not only drug-consuming but also drug-producing—the first areas sown with crops containing narcotics have been discovered there. But the main fears are inspired by the growing volumes of transshipment. According to Dzhemal Dzhanashiy, head of the National Bureau for the Fight Against Drugs of the Ministry of Internal Affairs of Georgia, an incident involving the detention in Turkey of a tonne and a half of morphine has now been registered. It had passed from Afghanistan through Georgia, and further, from the port at Batumi, it was sent to Turkey. The final delivery point was Western Europe. The operation had also been planned, to all appearances, by European gangsters.

And the local narcomafia is not the former "crime bosses": During the civil disturbances and wars, a new generation of "young wolves" was formed, which acknowledged no authorities and laws, including criminal ones. Although, of course, neither did the more senior criminals hang back from a profitable business. In 1994, at criminal gatherings, a decision was made allowing crime bosses to engage in such business (earlier the criminal laws did not encourage this).

At the same time, Georgian criminals on the "general drug market" of the CIS countries increasingly often specialize in the sale of synthetic drugs. For example, from India it is chiefly Georgians who set up in 1992 the massive export into the CIS countries of the preparation buprenorphine, which in India itself was not considered a narcotic until 1993.

An important role in the trafficking of drugs in the republic of Georgia is played by wholesale dealers in South Ossetia. One can go to Tskhinvali and order as many kilograms as one needs. For the transshipment from Azerbaijan crosses territory that is nominally Georgian, but little controlled by official Tbilisi—these are regions with primarily Armenian or Azerbaijani population—and on through Ossetia.

As for the "Armenian channel" of heroin transshipment, "incidents have taken place." At the end of last year in Armenia, the Dashnaktsutyun party was banned. The pretext chosen was a drug scandal. It was ascertained that secret party structures financed the Dashnaktsutyun by ferrying heroin from Beirut to Yerevan, and from thence to Russia and further on, with all the stops. As a result of cooperation that is fairly rare these days between the special services of the CIS countries, the channel was blocked, and the drug couriers arrested. But one should not rule out attempts to renew its functioning.

Do They Take Bribes, Or Do They Not?

So, do the groupings that trade in drugs have powerful patrons in the Russian power structures? In the course of numerous conversations with workers of the law enforcement agencies in Moscow and in the localities, we got the impression that they did not. The development of the narcobusiness in the countries of the former USSR is taking place, so to speak, "from the bottom up"—from the regions. And whatever their present turnover might be, the drug dealers are not in the position to go up against those who have already made their capital in oil, nonferrous metals, special deliveries, export privileges, and the like.

Further, there exists an impediment to the powerful expansion of dirty money into Russian politics, and it is the same as to the influx of foreign investments—political instability. In proffering money, people would like to have guarantees.... In the Pamirs, people in various places asked us one and the same question: "How much, and to whom, is it necessary to give in Moscow, in order that Badakhshan be joined to Russia?..." And immediately they recalculated the required sum in kilograms of "Pamir currency."

There have been episodic attempts of drug dealers to establish contacts with Russian bureaucrats (thus, some task force members are still convinced that the passing through Russia of a container with a tonne of cocaine, seized two years ago in St. Petersburg, was supervised for a large bribe by a bureaucrat whose guilt it has not been possible to prove). But they have no permanently operating "roof" in Russia. Yet.

In a few years, however, the time will come about which we have already spoken, when serious investments will go into this branch of criminal business. That is when a cover in the Russian institutions of power will become necessary. It is now already necessary to prepare for this.

In April, the Russian Government adopted a federal antidrug program for 1995-1997. Elaboration of the draft of a national program began back during the existence of the Soviet Union; however, for various reasons, its approval was put off. The latest decision stipulates the allocation of 85 billion rubles; the money will go both for the strengthening of law enforcement agencies and for treatment of drug addicts and for the intensification of control over the production and storage of dangerous preparations. One would like to hope that this will be realized better than many other decisions of our organs of power.

Russian, U.S. Businessmen Meet in Las Vegas

LD1306082495 Moscow ITAR-TASS in English 0644 GMT 13 Jun 95

[By Aleksey Berezhkov]

[FBIS Transcribed Text] LAS VEGAS, Nevada, June 13 (ITAR-TASS) — More than 1,000 delegates have gathered at Bally's, the best hotel of Las Vegas, to attend a Russian-U.S. congress on the development of economic business cooperation. The forum, which has opened here, is a major one in the history of relations between the two countries.

On the Russian side alone, representatives from the business community, the government, the presidential administration, tens of mayors and administration chiefs of cities and regions of the Russian Federation are attending the congress. They have arrived by several Aeroflot and Finnair planes which made the first non-stop charter flights from Moscow to Las Vegas.

The purpose of the congress is to give an opportunity to business people and officials of the two countries to meet and discuss new projects for mutually beneficial cooperation.

However, the very first speech made by a U.S. representative, former U.S. Undersecretary of Defence Richard Armitage, set out assessments which can only scare potential investors away. In a sharp and aggressive manner, he criticised Moscow's policy with regard to Chechnya and Russia's immediate ex-Soviet neighbours.

Russian Minister of Construction Vladimir Basin spoke out against attempts to politicise bilateral economic relations. "In our view, American businessmen do not use to the full the Russian market resources. I think the mentality of many a politician in the United States has not changed since the Cold War times," he said.

"Meeting in this hall are Russian businessmen who know what they need and what to do, and are able to cooperate with and respect partners. We offer cooperation on conditions which are absolutely beneficial to both sides," Basin said.

Summit Results, Iran Nuclear Deal Analyzed

954F2483A Moscow MOSKOVSKIYE NOVOSTI in Russian No. 34, 14-21 May 95 p 13

[Article by Sergey Strokan: "The Iran Deal: To Be Continued?"]

[FBIS Translated Text] The meeting between Boris Yeltsin and Bill Clinton in Moscow did not, contrary to expectations, dot all the "i's" in the matter of Russian-Iranian nuclear cooperation.

The "Iran topic" will, by all accounts, keep Moscow and Washington in a state of tension for some time yet, and the main skirmish—over the reactors—is still to come.

All possible versions of a compromise had been calculated in advance, seemingly, and the leaders of the two powers had only to "give voice" to them. The anniversary atmosphere did not plan on Tehran, which united the allies more than half a century ago, separating them at the time of the May festivities of 1995. As planned, it has not. As yet....

Nonetheless, Boris Yeltsin once again brilliantly confirmed that forecasting his steps is a thankless occupation. The acknowledgment from the mouth of the "No. 1" that the nuclear cooperation between Russia and Tehran contains "military elements" was a refutation of all Moscow's previous statements on this problem. It essentially means that Russian representatives at various levels had in recent months been, to put it mildly, disinforming the world community, maintaining that nuclear cooperation with Tehran was of an "exclusively peaceful nature."

In a word, Moscow performed the role of the noncommissioned officer's widow who cut herself out of the proceedings completely. It has to be said that it is not the first time that the Kremlin has employed so untraditional a method of resolving particularly complex foreign policy problems: It is sufficient to recall similar turnabouts on the question of the enlargement of NATO, the business involving the sale of cryogenic engines to India, and so forth. The search, on the other hand, for switchmen and formulas of "the Ministry of Foreign Affairs (Ministry of Atomic Energy, Glavkosmos, or someone else) had us confused" type have only a short-term effect and merely mask the problem. Abiding by this formula, the threatening charges leveled at the Ministry of Atomic Energy, which, it is said, concealed the "military element" of the contract, are today more apropos than ever. What is unclear is something else: Will there be a sufficiently exemplary struggle with the Ministry of Atomic Energy in order to save the "peaceful element" of the contract? And, at the same time, what about the Ministry of Atomic Energy's claims that it had no intention of selling Iran the ill-fated centrifuge? If not the Ministry of Atomic Energy, then who?

There was talk even on the eve of the meeting, for that matter, that the centrifuge would be "surrendered" to prevent a conclusive falling out with the Americans. It was not fortuitous that on the eve of the summit Grigoriy Karasin, official Foreign Ministry spokesman, gave a meaningful hint, emphasizing that the reactors were one thing, a centrifuge, another. And THE WASHINGTON POST reported that Andrey Kozyrev had privately promised U.S. Secretary of State Christopher that Russia would abandon this sale.

Sacrificing the centrifuge on the altar of Russian-American friendship will cost Moscow half a billion dollars. Not that much, generally, in monetary terms. Costs of a different nature, however, are higher. Like the hero of Balzac's "The Wild Ass's Skin," Boris Yeltsin wished for the relations of Moscow and Washington on 10 May to undergo a miraculous metamorphosis and to be as they were in the period of their "honeymoon." Subsequently statements, prepared for the occasion, that the cooling in Russian-American relations were the idle inventions of all kinds of "political Cassandras" were heard. But, as in "The Wild Ass's Skin," retribution for this will be inevitable....

The Americans are now attempting to "put the squeeze" on Russia on another controversial matter also—the reactors. The Republicans are saying even today that Moscow's concession is patently insufficient, regarding it merely as an intermediate step en route to the total abandonment of nuclear cooperation with Tehran. THE NEW YORK TIMES was highly categorical. "Bill Clinton represented American interests in Moscow inadequately," the newspaper writes. "In regard to the sale of Russian nuclear equipment to Iran he was either deceived or was party to a deception." In a word, whereas before the meeting Moscow was sticking firmly to the fact that "compromise" in the matter of the reactors was out of the question, now Yeltsin has offered to transfer the matter for consideration to a joint commission chaired by Gore and Chernomyrdin. A long and enervating tug-of-war lies ahead, and it is highly probable, what is more, that a conclusion as to whether the reactors in Bushehr represent a threat to peace will on this occasion also be drawn not by nuclear experts but by those who interpret the laws of physics depending on how the election campaign is shaping up.

It is highly indicative that on 11 May even the House Committee on Foreign Affairs approved an amendment providing for a reduction in American aid to Russia, considering Yeltsin's concession on the Iran question "inadequate."

In reality, it is not so much Moscow's position as the confrontation with Iran that is of fundamental significance for the United States. This confrontation was a precursor of the contradictions of the new multipolar world, where U.S. leadership is undoubtedly for far from everyone and where new regional power centers are taking shape. Attempting, essentially, to neutralize all who are throwing out a challenge and fostering those who become allies, the United States is defending the title of sole superpower.

In this situation a "double standard" in American policy in the sphere of nuclear nonproliferation is practically inevitable. While calling for the universality of the code of international behavior, the Americans cannot resist the temptation to judge "friendly" and "disloyal" countries by different laws. Israel, Iran's long-standing antagonist, is an example. We would recall that the fate of the Nuclear Nonproliferation Treaty was being decided recently in New York at the conference on nuclear nonproliferation. It is Israel's nuclear programs that have for a long time prevented many Arab countries acceding to the treaty. Has this caused tension in the Near East? Undoubtedly. But Israel is continuing to pursue its programs, of which Washington takes an understanding view. Iran is another matter....

An interesting nuance. Clinton's headline statement concerning the imposition of trade sanctions against Iran was heard from the rostrum....of the World Jewish Congress in New York. Addressing Israeli Foreign Minister Shimon Peres and Edgar Bronfman, chairman of the World Jewish Congress, Clinton said: "Thank you for your farsighted leadership...." The West European partners, though, remained indifferent to Washington's appeal and did not support the sanctions against Iran.

Had Iran not existed, it seems, the Americans would have had to have invented it. In order by rejecting "Islamic" messianism to establish in the new world their own.

Arrested Gangster's U.S. Activities Outlined

MM1306103395 Moscow KOMSOMOLSKAYA PRAVDA in Russian 10 Jun 95 pp 1, 4

[Report by ITAR-TASS correspondent Aleksey Agureyev: "'Yaponchik' Collared in Brighton Beach"; lead-in paragraph by Ilya Goritsvet]

[FBIS Translated Text] New York — According to the news agencies, the other day FBI agents detained Russian crime boss Vyacheslav Ivankov Yaponchik [name as transliterated], now a businessman over there and possessor of a green card, on a charge of extortion. The boss was joined by five of his lieutenants in the remand center. Another two associates are thought to be in Russia. Members of the Russian Federation police criminal investigation department have flown to the United States to check the information on Yaponchik's involvement in a number of crimes on the territory of the Russian Federation which has been circulating in Interpol channels for a long time.

Now tell us, if they were arrested in the early morning and taken still warm from their beds, what was 'Yaponchik' arrested in? Bathrobe, pajamas, shorts?

It was with questions like this that Raymond Kerr, chief of the New York department of the FBI to combat Russian organized crime, was bombarded at the end of a briefing at the FBI's New York section. He would not enlarge on how the strapping federal agents had dragged the Russian mafia "godfather" out of bed in his lover's house in Brighton Beach, but he repeated what had been said at the press conference some minutes before. That on Thursday six members of the so-called "Russian mafia," 'Yaponchik' among them, had been arrested on a charge of extorting the sum of $5 million.

Incidentally, three members of the criminal grouping have managed to escape the hands of the law: Two are currently on Russian territory, and one is in the United States.

James Kallstrom, assistant director of the FBI, was far more animated: "We are announcing today the most important arrest ever made in the course of the federal government's priority offensive against Russian organized crime in the United States," Kallstrom said, opening the press conference.

Apparently, 'Yaponchik's' group decided to "pay a visit" to the Wall Street consultancy company Summit International, which advises clients on capital investments. The firm was organized by two Russian Americans — Aleksandr Volkov and Vladimir Voloshin — who had obtained investment capital totaling $2.7 million in spring 1994 from a Russian financier by the name of Vladimir Rachuk. The firm was supposed to invest the money profitably and keep a percentage of the profit for itself. But last August Vladimir Rachuk ran into financial problems and told Volkov that the invested money did not belong to him and that the real owner would call Volkov back using a prearranged password.

The call was not long in coming, and the real owner of the money demanded that the entire amount be returned to him by the end of 1994. But in November Rachuk committed suicide in Russia, and it was some time later that a certain Sadykov asked the bosses of Summit International for a meeting. The "showdown" took place, followed, though, by several more, with Sadykov bringing to them several other people, who in the end made the firm an "offer it couldn't refuse." The firm was told to hand over to Sadykov 60 percent of the 2.7 million, while the rest remained in the hands of Volkov and Voloshin. In exchange for the 60 percent Sadykov and his cronies took it upon themselves to ensure there would be "no unpleasantness" on the part of the real owner of the millions.

But Volkov and Voloshin decided that they were in no hurry to part with the money. It was then that the extortionists arranged the meeting which was attended by 'Yaponchik,' but the bosses of Summit International, concealed in a spot where they could observe their visitors, recognized Ivankov from photographs in the newspapers and, to keep out of harm's way, decided not to turn up for the meeting but make themselves scarce. But they were out of luck. First the wife of one of the businessmen was threatened in broad daylight, then, at the end of April this year, Voloshin's father was found savagely beaten on the platform of a station near Moscow — he died in hospital from his injuries — and then the two bosses of the investment company were abducted from the bar of the New York Hilton at gunpoint.

Faced with threats, Volkov and Voloshin signed a contract whereby they agreed to transfer $3.5 million to Sadykov and even worked out a payments schedule. Incidentally, the payment for the entire scheduled period repeatedly changed: It would be raised to $5 million, as a punishment for being obstinate, then they would be merciful and lop off a million or two. All the time the extortionists cited the authority of Ivankov.

After the appointed pay day the FBI carried out the arrests. Although Rustam Sadykov and a certain Maksim Korostyshevskiy are currently in Russia and were not arrested, while Yura Gladun is in hiding somewhere in America. An enquiry will be sent to the Russian authorities in the very near future concerning Sadykov and Korostyshevskiy.

Ukrainian Minister Welcomes Fleet 'Compromise'

MM1306150695 Moscow IZVESTIYA in Russian 14 Jun 95 pp 1, 2

[Report by Yelena Sokolovskaya under the general heading "Black Sea Fleet Divided, Talks Continue"]

[FBIS Translated Text] Kiev — Ukrainian Foreign Minister Gennadiy Udovenko has noted that "there were no winners or losers at the Sochi talks, but there was compromise."

The participants in the talks resolved in practice the problem of dividing up the ships and agreed to the presence of the Russian Black Sea Fleet in Sevastopol but did not define the legal status, the financial conditions, or the duration of the presence of "Russian troops in Ukraine." As Gennadiy Udovenko explained, all these matters will be the subject of future talks.

The Russian troops' legal status in Ukraine will soon be defined "on the basis of world experience and practice." The Ukrainian leadership directly links the terms of the Russian Black Sea Fleet's presence in Sevastopol with "the problem of mutual settlements" and regards the financial aspects of the use of the Russian military installations as a subject for future talks.

But today Ukraine's laws declare everything on the country's territory to be its property. Legally speaking Russia at present can only "use the fleet installations by agreement with Ukraine."

Official Kiev is extremely pleased that the Russian delegation has accepted its formula: The Russian Black Sea Fleet's main base is not Sevastopol in its entirety — the base is only located there. According to G. Udovenko, the separate basing of the fleets presupposes only that the different states' ships will not find themselves "moored in the same bay." That being so, the Ukrainian Navy has no need to leave its Sevastopol base. At the very start of the Sochi meeting, Udovenko stated: "Ukraine has the sovereign right to decide where it should station its Navy. That is not subject to negotiation." Ukrainian politicians and military now decide for themselves which bays will be needed for the deployment of their country's vessels.

Official Kiev believes that one achievement of the Sochi meeting was that Russia agreed "to take part in the social development of Sevastopol and other Russian Black Sea Fleet deployment locations." Ukrainian diplomats intend to discuss in greater detail all the financial aspects of this problem immediately after these bases have been divided up.

Yeltsin Aides Welcome Duma Declaration on Balkans

LD1306103795 Moscow INTERFAX in English 0940 GMT 13 Jun 95

[FBIS Transcribed Text] MOSCOW, June 13 (INTERFAX) — President Yeltsin's closest associates have responded with "great positive interest" to the State Duma declaration of June 9 on the crisis in the Balkans and proposals for a settlement in Bosnia, a source close to the presidential staff has said.

According to the source, some Russian presidential aides and experts welcomed the State Duma's initiative on the Yugoslav issue. Along with preparations for the G7 summit in Halifax, Canada, and in the context of that event, the Yugoslav issue will be the focus of President Yeltsin's attention over the next few days.

The source pins some hope on the Serb republic parliamentary session in Pale Wednesday. The session is expected to consider the State Duma's peace plan for the region.

Canadian, Norwegian Ministers on Russia Relations

MM1206135195 Moscow ROSSIYSKIYE VESTI in Russian 10 Jun 95 p 3

[Reports by Nikolay Vlasov and Aleksandr Krasnov under general headline: "Recent History. Correspondents Ask Prominent Canadian, Norwegian, German, Finnish, and Luxembourg Politicians in These Countries What Russia Means to Them Since It Gained Its Independence"]

[FBIS Translated Excerpt] Canadian Foreign Minister Andre Ouellet:

"The re-creation of the Russian Federation as an autonomous state opened a new chapter for us in the history of Canadian-Russian relations. We believe that our countries have considerable potential in the sphere of trade and economic cooperation. And in this connection we hope that the continuation of reforms in your country and an improvement in the conditions for foreign business and investment will help to broaden bilateral ties.

"In 1991 Canada was one of the first Western countries to institute a technical aid program for Russia. To date we have allocated around $106 million for over 200 technical and humanitarian projects of various kinds. We are also continuing to seek the most effective means of providing support for the reforms being implemented in your country in conjunction with our G-7 partners.

"This year Canada is to chair the next G-7 summit, which will take place in June in Halifax. We are pleased to await Russian President Boris Yeltsin's participation in its work. The format for Russian involvement in the coming forum will be considerably broader than in Naples. And we regard this as another step toward your country's integration into the international community." [Vlasov report ends]

Norwegian Foreign Minister Bjorn Tore Godal:

"Over the last five years political dialogue between our two countries has deepened and there has also been considerable progress in such important areas of bilateral relations as environmental conservation, trade, industry, and culture.

"Partnership, growing trust, and openness characterize the situation in the northern border areas of Norway and Russia. We are confident that stability and prosperity in Russian society constitute important elements in European security. Therefore we intend to broaden our political and economic ties along with our regional cooperation with a view to promoting Russia's integration into European structures." [Krasnov report ends] [passage omitted]

DPRK Acceptance of ROK-Style Reactors Viewed

SK1306144795 Moscow Voice of Russia World Service in Korean 1200 GMT 13 Jun 95

[Aleksey Kondratyev commentary]

[FBIS Translated Text] The U.S.-DPRK talks held since 20 May [date as heard] in Kuala Lumpur, the capital of Malaysia, have concluded. According to remarks by the head of the DPRK delegation, the talks were held amid diplomatic interest over the (?existing) question. Station commentator Aleksey Kondratyev has written the following:

The protracted dialogue between Washington and Pyongyang, which concerned replacing the DPRK's graphite-moderated reactors with light-water reactors, has finally shown signs of affirmative results. In accordance with the DPRK-U.S. framework agreement signed on 21 October 1994, the DPRK froze its nuclear program and stated its willingness to replace its graphite-moderated reactors with light-water reactors. The replacement project will cost $4.5 billion.

The United States, the ROK, and Japan have formed an international consortium in connection with supplying the light-water reactors. The international consortium (?will specify) the ROK's basic financial burden. The ROK is committed to paying $3 billion. The United States will supply the DPRK with 500,000 tonnes of fuel oil as (?an alternative energy source in connection with) replacing the graphite-moderated reactors with light-water reactors.

According to the DPRK-U.S. framework agreement, the question of supplying light-water reactors was (?discussed) in two-phase talks. The first-phase talks were held in Berlin from 25 March to 20 April. The Berlin talks ended without result.

The second-phase talks began in Kuala Lumpur. At the beginning, it was feared the talks might repeat the scenario of the Berlin talks. However, Pyongyang at last agreed to accept the ROK-style light-water reactors the United States insisted upon. In his personal letter sent to the ROK President, the U.S. President (?wrote that Seoul would play) a leading role in supplying the light-water reactors. Through protracted (?progress) and discussions, the nuclear issue on the peninsula is finding a pathway to its settlement. This is also profitable to the political (?development) in Northeast Asia.

Following the settlement of the nuclear issue, South-North dialogue will also resume. In that case, the question of the denuclearization of the peninsula will be finally solved.

Commentator on Implications of Li Lanqing Visit

OW1306095995 Moscow Voice of Russia World Service in Mandarin 1100 GMT 9 Jun 95

["Analysis" by station commentator Korolev; from the "Current Events and Commentary" program]

[FBIS Translated Text] Beijing has announced the visit to Moscow by a Chinese Government delegation headed by State Council Vice Premier Li Lanqing. The delegation will depart for the Russian capital on 12 June. It will attend a meeting of the joint commission of the Russian and Chinese Governments on economic, trade, and scientific and technological cooperation. According to official sources, the commission will draw up a plan for future Russian-Chinese economic cooperation. The following is an analysis by station commentator Korolev:

Officials in Moscow and Beijing believe that Russian-Chinese cooperation in various fields has become more constructive. Current relations between the two countries are formally defined by documents signed by their leaders. Such documents were signed during Russian President Yeltsin's visit to China and Chinese State President Jiang Zemin's reciprocal visit to Moscow. The documents stated that Russia and China, in deepening their relations, would not harm other countries' interests. The same is true with Russian-Chinese cooperation in the military sphere. Currently, military cooperation is primarily reflected in the arms trade. This is positive for both countries. President Jiang Zemin came to Moscow to attend commemorative activities in connection with the 50th anniversary of the victory in the antifascist war. In his meeting with Russian leaders, both sides reiterated their intention of adhering to that line.

Nevertheless, the path toward trust is not a broad avenue that is totally smooth. A wealth of experiences in international affairs has amply illustrated this point. For example, some obstacles cropped up on the path toward defining and demarcating the two countries' border. Some affairs with negative effects that have arisen on the Russian-Chinese border have also cast a shadow on the two countries' relations. As far as the two countries' relations are concerned, however, it is believed that these negative factors are only temporary and can be eliminated. Chinese Government Premier Li Peng's visit to Moscow in late June will help eliminate these negative factors. It is reported that during his talks with Russian leaders, he will discuss all aspects of bilateral relations, including the basis for economic cooperation and trade.

Lobov Interviewed on Reviving Ties With Africa

MM1306082095 Moscow TRUD in Russian 10 Jun 95 p 3

[Interview with Security Council Secretary Oleg Lobov by special correspondent Zurab Nalbandyan in Gaborone; date not given: "Russia Is Going Back to Africa" — first paragraph is introduction]

[FBIS Translated Text] Gaborone — Russian Federation Security Council Secretary Oleg Lobov has made a trip to a number of African countries as head of a sizable delegation. Our correspondent talked with him in Gaborone, capital of Botswana.

[Nalbandyan] What were the aims of the trip?

[Lobov] The Soviet Union used to have exceptionally close ties with states like Congo and Angola and with SWAPO [South West Africa People's Organization], the Namibian national liberation movement. This was military and economic cooperation. A large quantity of Soviet military equipment accumulated in these countries, and they were major consumers of our industrial goods. Thousands of Africans were educated and trained in the USSR. Many important national economic projects were constructed with active scientific and technical assistance from the Soviet Union.

In 1991 the political situation changed and the old forms of cooperation ceased. However, unfortunately new forms did not emerge to take the place of the old ones. It is too great a luxury for us to lose contact with countries where our equipment is operating, where our products and technology are well known, and finally where people who know Russian and our technical literature are working.

I would emphasize that our visit took place on the initiative of the heads of state of Congo, Angola, and Namibia, and I would remind you that Russian President Boris Yeltsin has put forward the initiative of holding a special UN General Assembly session in 1996 on Africa's problems. As a permanent member of the UN Security Council Russia does its utmost to promote peaceful and democratic processes on the continent, and we support the African countries' desire for economic progress. Political instability, tribal strife, and low rates of economic development are the problems of today's Africa. Many countries of the region cannot feed themselves. Russia takes these problems to heart.

[Nalbandyan] Doesn't the fact that the delegation is headed by the [Russian] Security Council secretary mean that the talks discussed specific, particularly military problems?

[Lobov] Security is interpreted broadly in Russia: social, economic, military security. The delegation included representatives of the Foreign Ministry, the Russian business world, and military experts.

[Nalbandyan] What specifically were you able to agree on?

[Lobov] In almost all the countries we visited we signed protocols of intent envisaging a considerable expansion in cooperation. First of all there is cadre training. It is important to stress here that whereas we used to carry out such training mostly for free, we will now display flexibility. For instance, we could probably continue to train Russian language specialists for free, but Africans would have to pay for training in other specialties.

Another aspect of cooperation is the military-technical one. It is proposed that we will organize the repair of equipment and the replacement of obsolete equipment and will train cadres.

Our business people are eagerly awaited in Africa. There are already encouraging examples. Fourteen Russian trawlers are fishing in Namibia. Russian companies have won a diamond mining tender. Assembly of Lipetsk tractors will apparently start soon. A "KamAZ" truck assembly plant is operating successfully in Botswana. These examples could be continued. The countries we have visited are now introducing great benefits for foreign investors and are opening up extensive potential for the work of joint ventures. It would be foolish not to take advantage of these opportunities.

[Nalbandyan] Was the problem of debts to Russia discussed?

[Lobov] Yes, in Congo and Angola. However, we must be realistic. These countries are incapable of paying their debts today. Obviously, we should think about changing the structure of these debts. For instance, if we succeed in organizing profitable joint ventures, it will be easier for the debtor state to pay off its old debts. For instance, we could catch fish together, then some of the output could be delivered to Russia as a contribution toward debt repayment. A similar approach could be used in the joint extraction of minerals.

Russia Seeks Nuclear Plant Contracts Abroad

MS1206134395 London THE TIMES in English 12 Jun 95 p 45

[Report by Colin Narbrough: "Russia Sets Out on Nuclear Sales Drive"]

[FBIS Transcribed Text] The Russian nuclear industry is set to snatch away the European Bank for Reconstruction and Development's [EBRD] biggest project as part of a worldwide offensive to secure nuclear plant contracts less than ten years after the Chernobyl disaster.

MinAtom, the Russian ministry for atomic energy, civil and military, has offered to complete a Soviet-designed plant, containing VVER-440 pressurised water reactors, for the Slovakian Government at Mochovce for $150 million.

The EBRD's 1.45 billion Deutschmarks [DM] project for Mochovce, which stalled in March when the Slovak Government asked the bank to delay a decision, would have involved DM412.5 million of EBRD money. Electricite de France (EdF), the French state power group, was to be the main contractor and equity partner in the scheme. EdF has already withdrawn its engineers from Mochovce. The Slovaks had been concerned about the conditions the EBRD had attached to its scheme, especially the radical changes demanded in Slovak energy pricing policy and the requirement that an older nuclear plant at Bohunice be shut down.

MinAtom, which employs 2.5 million people according to Western estimates, has suffered from a lack of new orders since the world's worst civil nuclear disaster at Chernobyl in 1986. British nuclear industry officials see the Russians' problems as similar to those affecting nuclear plant builders in North America and Western Europe, where demand for new reactors has dried up.

Viktor Mikhaylov, the minister in charge of MinAtom, has made clear that Russia plans to go ahead with a nuclear plant for Iran, in spite of Washington's protestations that it could help the Iranians develop nuclear weapons.

MinAtom plans to form a joint venture with Western partners to complete another Soviet-designed nuclear plant at Juragua, Cuba, for $800 million. The plant, only 200 miles from Miami, has been declared a serious safety risk by the US authorities.

Nuclear Electric said that it had not talked to MinAtom. EBRD, Siemens of Germany, and Ansaldo of Italy also said that they had no plans to cooperate with the Russians. Western experts, who have been given full access to Soviet nuclear plants since Chernobyl, regard the graphite moderated RBMK [High Powered Pressure Tube Reactors] reactors, the type used at Chernobyl, as being fundamentally flawed. But the pressurised water reactors are considered technically reliable and safe, if upgraded with Western control equipment.

Given MinAtom's scope for undercutting Western prices, Russian nuclear plant could become a serious threat to Western plant makers in markets, mainly in Asia, that remain interested in building new capacity.

Although MinAtom's bid for Mochovce will rob the EBRD of a high-profile project, Mr Mikhaylov agreed last week to take 76 million ECUs [European Currency Units] from the nuclear safety account administered by the EBRD. The funds will go towards urgent safety improvements at plants in Leningrad region, Kola and Novovoronezh. The deal also involves the re-examination of all older VVER and RBMK reactors, to assess safety. MinAtom agreed not to restart reactor one at Kursk, an RBMK model, before 1998 and only after a safety assessment by Western experts.

Zhirinovskiy Aide in Military Talks With Iran

LD1206173095 Moscow ITAR-TASS in English 1637 GMT 12 Jun 95

[By Oleg Kuzmin]

[FBIS Transcribed Text] TEHRAN, June 12 (ITAR-TASS) — The deputy head of ultranationalist Vladimir Zhirinovskiy's party has met here with Iranian senior officials to discuss prospects for enhancing cooperation with Iran in the military technical sphere. "Some specific results have been achieved" at the talks, Aleksandr Vengerovskiy told Tass on Monday.

Zhirinovskiy's close aide arrived in Iran last Friday at the invitation of Iran's Deputy Foreign Minister whom he earlier met in Moscow. According to Vengerovskiy, he is staying in Iran solely as a representative of the Russian Liberal Democratic Party (LDPR), and not as deputy speaker of the State Duma, Russia's lower house of parliament.

During the visit, which ends on Monday, Vengerovskiy had talks with the Iranian parliament speaker, defence and foreign ministers. Reporting these meetings, Tehran radio pointed to the similar approaches by Iranian officials and the Russian visitor to certain issues of regional policy.

An official delegation of the State Duma is expected to visit Iran last June [sentence as received]. The delegation will include LDPR leader Vladimir Zhirinovskiy.

EU Delays Trade Accord Because of Chechen Crisis

LD1206185195 Moscow ITAR-TASS in English 1833 GMT 12 Jun 95

[By Aleksandr Mineyev]

[FBIS Transcribed Text] LUXEMBOURG, June 12 (ITAR-TASS) — The European Union (EU) once again chose to postpone the signing of a temporary agreement on trade and partnership with Russia. The EU Council, which met at the foreign minister level in Luxembourg on Monday, noted that Moscow had not met the conditions imposed by the Council with respect to the military campaign in Chechnya.

The foreign ministers admitted some progress had been made in delivering humanitarian aid and providing conditions for the activities of an OSCE mission. The remaining two demands laid by the European Union concern an effective cease-fire and steps toward political settlement.

In lobby interviews, however, diplomats confirmed that certain EU members were getting increasingly concerned over the protracted stagnation in relations between the European Union and Russia and are inclined to become more pragmatic. This above all applies to Great Britain and Germany. The European Commission (EU executive body) has become hostage of its strict stance on the Chechen events, diplomats noted.

An intermediate agreement is designed "to set in motion" the trade and economic section of the "greater" accord on partnership and cooperation, which was signed on the Corfu island a year ago and provides for a lengthy procedure to be ratified. The Chechen issue has stalled the signing of the intermediary agreement and the ratification of the principal accord.

Political Issues

Yeltsin Returns to Work in Kremlin

LD1306075195 Moscow Mayak Radio Network in Russian 0700 GMT 13 Jun 95

[FBIS Translated Text] Russian President Boris Yeltsin, who has returned from Sochi, started work in his office in the Kremlin this morning, ITAR-TASS was told by Sergey Medvedev, the head of state's press secretary.

Boris Yeltsin spent the weekend and the [Independence Day] holiday in Sochi where the Russian-Ukrainian summit ended last Friday.

Chechnya War, Reforms Seen as 'Incompatible'

MM1206155395 Moscow IZVESTIYA in Russian 9 Jun 95 p 4

[Article by Otto Latsis: "Anniversary of Freedom and Six Months of Shame"]

[FBIS Translated Text] Next Monday, 12 June, Russia will be celebrating a state holiday — Adoption of the Declaration of Russian Federation State Sovereignty Day. It will also be the fourth anniversary of Boris Yeltsin's presidency — under the U.S. Constitution, for instance, this would be a full term, providing every reason to sum up results. And this weekend, 10 June, marks six months from the start of the federal forces' offensive in Chechnya. A discussion of results is particularly apposite in connection with the latter date.

The military leadership can currently report with satisfaction on the taking of the Dudayev supporters' last strategic defensive point in the foothills — Vedeno, which opens the way to the next strategic center of Shatoy. We can assume that after a few days of airborne and artillery "treatment," this latest patch of Russian soil will be successfully taken by the Russian troops. Dudayev will have only the mountains left. A victory? We could say so if the federal forces in Chechnya were faced with the task of destroying Groznyy and other Russian cities and settlements on Chechen territory. That aim has been achieved. But that was not the aim set. The Russian Federation president's 30 November 1994 edict "On Measures to Restore Constitutional Legality and Law and Order on Chechen Republic Territory" said nothing about military aims of that kind.

The edict (which has not been officially published and therefore, incidentally, should not be enacted; although it has been published by the NOVOYE VREMYA magazine) prescribes the creation of a group to "lead operations to disarm and eliminate armed formations, and to introduce and maintain a state of emergency on Chechen Republic territory" under the leadership of Pavel Grachev. The edict instructs the group primarily to "bring about an end to armed clashes and ensure the disarmament and elimination of armed formations" with, among other measures, the "creation of conditions for the restoration of legality and law and order" and the "organization of talks on the settlement of the armed conflict on Chechen Republic territory by peaceful means."

It is clear from this that none of these goals has been achieved. Instead of ending, the armed clashes intensified many times over and turned into a bloody war. Instead of the armed formations' being disarmed and eliminated, their social base has been expanded by turning a considerable proportion of the civilian population into opponents of the Army which is attacking their cities and villages. Instead of the organization of talks we have seen a poor imitation of talks. The oft-repeated slogan "we have no truck with bandits" reveals merely a reluctance to hold talks, since people who want peace look not for the nicest partner to negotiate with but for the one who has the power to end hostilities on the opposing side.

An essentially political task that is in principle not amenable to a purely military solution has been entrusted to military means and military people and moreover, as subsequently transpired, not always the most gifted of them. The progress of hostilities has now changed — since the former military leadership on the ground was replaced. Dudayev is suffering military defeat. But somehow we cannot say that the Russian Government has won a military victory. The operation against a republic that is tiny in comparison with Russia was planned to take a few days and produce few casualties — either human, economic, or political. What we got was a bloody war that has lasted six months already and for which there is no end in sight, with major losses among the Russian military and massive losses among the civilian population. The economic cost is starting to have an increasingly tangible impact on the country's economic situation. The political losses for the Russian authorities and the entire cause of the reforms they are carrying out — both inside the country and abroad — can scarce be measured, but it would be no exaggeration to call them catastrophic.

There have, however, been some winners. These are the party of war, the spirit of militarism, the newly increasing military budget, and the lobbying operations by the supporters of militarism such as the new law on military service. They can celebrate victory — not over Chechnya, but over Russia. The demonstration that those who, in starting and fighting this war, have committed innumerable violations of Russian laws with impunity cannot have gone unnoticed in the country. The woes of Chechnya will result in as much suffering for Russia as the woes of Afghanistan once did for the Soviet Union. And the indisputable fact that Dudayev bears a huge responsibility for wasting chances to solve the problem peacefully does not diminish the Russian authorities' responsibility for this shameful war.

What about those who do not include themselves in the party of war?

Public protests notably diminished when people saw that unskilled field commanders were being replaced by skilled commanders, and in purely military terms the shame is no longer so obvious.

The Duma consoled itself by replacing its former dislike of Pavel Grachev for an active hatred of Sergey Kovalev, which proved far easier to put into practice — the deputies managed to get Kovalev fired.

Premier Chernomyrdin, the head of the government which has been waging this remarkable war, is inexplicably as good as wearing the laurels of peacemaker — at any rate, nobody considers him to blame for the war.

Democratic politicians are warring with each other with redoubled zeal. The behavior of Grigoriy Yavlinskiy following his dialogue with Yegor Gaydar on TV's "Itogi" was a model of the democratic leaders' political shortsightedness in this infighting. I recall the conditions for cooperating with other kindred parties announced by Yavlinskiy in the dialogue (the unreliability of which, incidentally, was demonstrated by the fact that he disavowed them the following day): an agreement on the distribution of the presidency and the premiership, and an agreement on the points of a program. And there was one addition to these conditions, partly implied by Grigoriy Alekseyevich and partly voiced by his supporters after his awkward disavowal — that Gaydar should admit his errors in the course of reform, and that unity with Gaydar in general would prevent Yavlinskiy from winning.

That unity, incidentally, is quite amusing — one of those who in their political security criticized from outside the inconceivably difficult and at first seemingly impossible job of reform loftily condemned someone who had been doing a job and inevitably making mistakes. We will leave it to historians to assess the rightness of such criticism, and we will consider just how practical such a policy is.

It seems indisputable that Yavlinskiy's position (and it is not his alone) is a model of pragmatism in our pragmatic age. The battle for power is the essence of a politician's profession — they need power as the prerequisite for implementing their fine ideas.

In abstract terms that may be the case. But in today's specific Russian conditions, before that abstraction can be turned into reality, it needs to be lived through. It is clear to anyone whose head is not stuck in the clouds of the Duma (by no means the same thing as the corridors of power) that Russia will not hand over the reins to Yavlinskiy or to any other similar politician in the coming elections — either parliamentary or presidential. There is a 90-percent chance that we will keep the same authorities as we have (I am thinking not of the secondary details of the personalities in certain posts or the percentage distribution of seats between factions, but of the fundamental nature of the ruling sociopolitical group). Put bluntly, we will keep the Yeltsin-Chernomyrdin group. Very unsophisticated authorities with a very unsophisticated policy — but it is nonetheless immeasurably better than that of the former CPSU authorities or of any Zyuganovite-Communist authorities. There is a 10-percent chance that the Zyuganovites will win. If they try to carry out even half of their current promises to voters regarding "state regulation" and "social justice," normal life will become impossible for ordinary people in Russia — at best we would face the kind of lives that Ukraine and Belarus are currently experiencing. And the parties of the democratic wing have no discernible chance in the elections at all. They will still have to wait until the success of reform convinces most voters that the reformers are historically correct.

Essentially, we will have to make a choice between those who are planning to RESTORE ORDER [all caps as published] in Russia and those who want to BRING ORDER [all caps as published] to Russia — the difference between these apparently similar concepts will, I hope, be clear.

It turns out that the primary task for the democrats in the elections is to minimize the small chance of victory that the state patriots have. Their second task is to secure for themselves positions perhaps not of full power but of sufficient power to have a chance to influence the current authorities and act as a check on their obvious shortcomings. Absolute implacability is needed on one main issue — the war. And while the war is under way only one version of political pragmatism is entitled to exist — the reliable choice of the shortest possible route to peace.

Finally, there is one other obvious question in connection with the "anniversary" of the war and the anniversary of the presidency - - the question of assessing the president's current policy. It is not a question of whether Boris Yeltsin will win the election or if he will run. The hastily constructed mechanisms of the young Russian democracy are still as shaky as those buildings erected at shock rates under "socialism" which collapse quickly in earthquakes. Elections under the laws which have been drawn up and ratified by the future parliamentary and presidential candidates themselves and elections organized by oblast governors under the auspices of Chernomyrdin's "party of power" stand an excellent chance of resulting in a victory for the "right people." It is not a question of what Boris Yeltsin will be doing after the sixth anniversary of Russian sovereignty. It is a question of how he will be viewed by history — as the man who ensured the success of Russian reform, or as the man who killed it.

The two strands of Yeltsin's policy — of continuing reform and continuing the war — are fundamentally incompatible. The longer attempts continue contrary to the demands of life to combine them, the longer the militarist strand will in practice prevail over the reformist strand. It is not simply a question of military spending, which is having a dispiriting effect on an economy that is not yet out of the woods. It is also a question of the nature of the entire range of the tools of state administration that are being used. The frankly antireform decision on protectionist import tariffs was quite logically combined with rhetoric in the style of the Brezhnev era during the visit to Dedovsk. But concessions to the state sector such as these tariffs are the inevitable cost of the weakness of the position of authorities that have gotten themselves bogged down in the war.

The democrats are unlikely to be able to replace these authorities in the elections this time. But they are able to secure positions to ensure that they are taken account of. To make this clearer I will quote a poll of the Russian urban population that was taken in late May. When asked "If the Duma elections were held tomorrow, which party would you vote for?" 10 percent said "Yabloko." That is its highest rating, but it is clearly insufficient for gaining a decisive advantage. Five percent said "Russia's Democratic Choice." If these parties do not cooperate during the elections, they will have a total of 15 percent of the seats in parliament. But then look at the answers to the question "Which coalition would you support?" Here 21 percent of those polled named the Gaydar-Yavlinskiy bloc of democratic forces. That is significantly more than the respondents gave them separately, and far more than the state patriot bloc (Zyuganov) or the Chernomyrdin bloc obtained in the poll (both got 12 percent each).

A desire for personal victory will today guarantee the defeat of any of the democratic leaders. A desire for common progress promises them reliable strategic positions.

Center-Region Relations 'Streamlined'

MM1306083695 Moscow ROSSIYSKAYA GAZETA in Russian 10 Jun 95 Weekend Edition pp 4-5

[RIA-NOVOSTI interview with political scientist Emil Pain, member of the Presidential Council, "specially for ROSSIYSKAYA GAZETA"; place and date not given: "Collapse of USSR Preceded Belovezhskaya Forest" — first paragraph is introduction]

[FBIS Translated Text] Today integration processes in the former Union have intensified. That is the view of political scientist Emil Pain, a member of the Presidential Council.

[Pain] The natural desire felt by Russian citizens and inhabitants of the other USSR republics to utilize and distribute their resources in a fuller, better manner stimulated the adoption of the Declaration of Russian Federation State Sovereignty. The fact that by no means all the republics have succeeded in doing this is not directly connected with the adoption of the declaration. Incidentally, it made no provision for Russia's leaving the Soviet Union. The declaration undoubtedly laid the foundation for a move away from enforced to voluntary integration both among the former USSR republics and among the components of the Russian Federation itself. Regrettably, this voluntary integration is bound to be arduous.

[RIA-NOVOSTI] How justified is the view that the supremacy of the RSFSR Constitution and Russian laws which succeeded the adoption of the Declaration spurred on the collapse of the USSR?

[Pain] No matter how we view the collapse of the USSR, we cannot lay the credit or the blame for the process at Russia's door. Those who try, first, to present the collapse as a "universal catastrophe" and, second, to blame the Russian leadership are endeavoring to forget the universal upsurge in national movements in the Union republics aiming to leave the Soviet Union that was discerned by the end of 1991 and the coming to power of new political elites under those banners. They have also forgotten that quite recently the inhabitants of all the Union republics sincerely believed that life would automatically improve with the elimination of the "predatory" center.

By mid-1991 there were virtually no forces that could have stopped the processes of disintegration. After the union communist parties became autonomous the CPSU, which had rigidly controlled the managerial links holding the USSR fast, effectively broke down. The power structures became enfeebled — the top brass and the bulk of the officer corps refused to use the Army to counteract republic separatism. The lack of public support for military operations designed to forcibly prevent the coming to power of national movements in the Union republics was intensified by the "Afghanistan syndrome."

The Russian public recognized the collapse of the USSR to be a fait accompli prior to the conclusion of the Belovezhskaya agreement. I would like to stress that at that time Russia tried to impart a civilized nature to the ad hoc collapse of the USSR and to a considerable extent prevented events developing uncontrollably on Yugoslav lines.

Then the situation began to change — the integration processes intensified. That is due not only to the strengthening of federal authority but also to its readiness to make a number of political compromises in the form of treaties on the demarcation of authority between Moscow and Tatarstan and a number of other republics. Substantial political changes have also taken place within the autonomous formations — there has been an appreciable lessening in the influence of ethnic movements and an increase in the role of the "party of power" oriented to an alliance with the Moscow political elite. The situation in Chechnya is in many respects atypical. The Chechnya war has not, of course, strengthened the integrity of the Federation, but nor has it made fundamental changes to the integration processes. Chechnya is not an isolated island.

[RIA-NOVOSTI] What are the top-priority problems in the Russian state-territorial system? Have signs of crisis appeared within it?

[Pain] First, the rules and mechanisms governing the allocation of powers between the center and the republics of the Federation have been streamlined and universalized. The Russian parliament is now examining a corresponding law, whose adoption would enable relations between all Russian Federation components and the federal authorities to be considerably streamlined. Second, this may include the removal of elements of inequality among the republics and other Russian Federation components — by boosting the rights of krays and oblasts to the level of republics, including federation components in regional associations, adopting unified fundamental principles for local self-government, and ensuring tougher federal supervision than is currently the case of the observance and guarantees of equal human rights throughout the country regardless of where people live, of their nationality, or of their social status.

Republican Party Leaders View Prospects

MM1206152795 Moscow PRAVDA in Russian 10 Jun 95 p 1

[Interview with Ella Pamfilova and Vladimir Lysenko, leaders of the Republican Party, by Boris Slavin in Moscow 8 June, under the "Through a Political Leader's Eyes" rubric: "Ella Pamfilova and Vladimir Lysenko: 'We Want a Moral Opposition'"]

[FBIS Translated Text] The Republican Party held its festival at the Saturn movie theater in Moscow 8 June, thus launching its election campaign. Boris Slavin, editor of the PRAVDA Political Science Department, met with Vladimir Lysenko and Ella Pamfilova, the Republican Party's leaders.

[Slavin] Ella Aleksandrovna, why did you move from Russia's Choice to the Republican Party?

[Pamfilova] I am not a member of any of the existing parties. I began to ally with the Republican Party because in its interests it is more like an association than a party. We want to clear the 5-percent hurdle in an alliance with the Professional Women association, environmental organizations, the Soldier's Mothers public association, and others. [Pamfilova ends]

Vladimir Lysenko, leader of the Republican Party, then joined in the conversation.

[Lysenko] We believe that we can create a coalition of new organizations which wsill be joined by recognized public authorities and individuals of high moral caliber such as Ella Pamfilova. We operate more as a moral opposition to the regime. We like the aims of the reforms but not the methods of their implementation.

[Slavin] Will you form a bloc with the democratic parties and factions in the forthcoming elections?

[Lysenko] No. Since Gaydar has been unable to reach agreement with Yavlinskiy, it is hardly possible to find a common democratic language.

[Slavin] How do you regard the Chernomyrdin and Rybkin blocs?

[Lysenko] My view of Rybkin's bloc is the normal one. The attempt to create an electoral association of left-center forces can only be welcomed but the method of its creation gives rise to doubts. I have in mind first and foremost Boris Yeltsin's words: "I instructed Rybkin to create a new bloc." After that comment no matter what Rybkin does there will still be the sense that a social instruction has been given "from above." I do not share Rybkin's position on Chechnya either. Even if he does manage to create an opposition bloc it will most probably be "His Majesty's opposition." [Lysenko ends]

Ella Pamfilova then joined in the conversation again.

[Pamfilova] My view of both the Chernomyrdin bloc and the Rybkin bloc is negative. Anything which is done to order is not viable. I do not know what kind of man Rybkin is. He is variable. Sometimes he is simply a waste of space.

[Slavin] Nevertheless, why did you split with Gaydar and his Russia's Choice?

[Pamfilova] I respect Gaydar to this day. Unlike Chernomyrdin, who is profaning the reforms using the logic of leaving things to chance and hoping that they work out, whereas Gaydar is a consistent supporter of liberal reforms. But the ideals of liberalism do not take root on Russian soil. They do not take into account our collectivist traditions, people's yearning for social justice, and so forth. The social democratic path is far closer to our nature.

[Slavin] If you like the social democratic path of transformations, why do you not enter into an alliance with the Social Democrats?

[Pamfilova] We have four social democratic parties but they were they unable to make social democratic ideas attractive to Russia. [Pamfilova ends]

Vladimir Lysenko then took up the dialogue.

[Slavin] Vladimir Nikolayevich, you have undergone a political evolution in your career: from leader of the CPSU democratic platform to leader of the Republican Party. I have heard that you wanted to turn the Republican Party of the Russian Federation into something similar to the U.S. Republican Party. Now I read in the invitation to your party's festival that you will support the interests of the ordinary people, "ordinary folk." What does that mean to you? What social base do you plan to rely on?

[Lysenko] First and foremost people of hired labor, the intelligentsia, farmers, Kuzbass miners, and representatives of medium and small business.

[Slavin] How many members does your party have and does it have regional structures?

[Lysenko] We have structures in 65 regions of Russia. We have organizations where neither Rutskoy, Lipitskiy, nor Travkin have them. Today our party has 5,500 people.

[Slavin] Nevertheless, with whom will you cooperate in the forthcoming elections? After all, your chances of clearing the 5- percent hurdle are not great, are they?

[Lysenko] We are holding consultations with rayon organizations, young people, with anyone who wants to, and we are counting on the support of the republic union of entrepreneurs. We do not rule out cooperation in the regions with the "power party," the Communists if we are short of votes [pri podschete golosov], and with other parties.

[Slavin] In the past the mere mention of the Communists scared you, so how do you regard them today?

[Lysenko] We do not accept the radical Communists today either. But the Communists in the Duma are different Communists.

[Slavin] What is your forecast of the election result? Who will be in the lead?

[Lysenko] I think that the left is in a strong position today and the center will strengthen its position compared with the past. Matters are not so good for the right — the population will not support those who launched the reforms.

[Slavin] Could there be an association of all the democrats around Yeltsin?

[Lysenko] The democratic movement ended 21 August 1991 as soon as the CPSU's monopoly collapsed. The democrats cannot be united into a single bloc today. This will not be possible unless there is a threat of a fascist offensive. I consider an association of democrats around the figure of Yeltsin to be unrealistic.

GUO Chief Barsukov 'Real Boss' of Kremlin

MM1206134495 Moscow KOMSOMOLSKAYA PRAVDA in Russian 9-16 Jun 95 p 5

[Article by Afanasiy Brynochka: "Boss of the Kremlin"]

[FBIS Translated Text] KOMSOMOLSKAYA PRAVDA continues to introduce readers to the most remarkable figures at the top of the Russian power pyramid. After such well-known inhabitants of the Kremlin as Generals Korzhakov and Rogozin and the president's Administrator of Affairs Borodin, our next character is Mikhail Barsukov, chief of the Russian Federation Main Protection Directorate [GUO].

Among the leaders of the Russian special services, Mikhail Barsukov cuts a colorful figure: Unlike Yevgeniy Primakov, who came to the SVR [Foreign Intelligence Service] from outside, or FSB [Federal Security Service] chief Sergey Stepashin, whose fate led him to be first a fire chief and then a deputy, Barsukov is a professional who has climbed honorably up all the rungs of the service ladder. After graduating from the RSFSR Supreme Soviet Academy, Lieutenant Barsukov was sent to join the Kremlin Regiment. At that time candidates for service in the Kremlin were hand-picked by the structures of the KGB Ninth Directorate: They did not accept Muscovites, and everyone else they investigated to the seventh generation, grinding them down with questions like "Did your great-great-grandmother have relations with Napoleon's guards?"

One of Barsukov's subordinates was Aleksandr Korzhakov, a sergeant doing his compulsory service. Witnesses recall that both of them stood out: One was a model platoon commander, the other was a model section commander. Barsukov was, perhaps, distinguished by just one thing — an irrepressible attraction for the opposite sex: elegant, witty, and courteous, he conquered a good many women's hearts.

...The next rung: commandant of the government buildings in the Kremlin. That was an independent post. During that time Barsukov got to know officials in the top party and state organizations and showed himself to be no mere loud-mouthed soldier. Thanks to his ability to get on with people and his skill in organizing an excellent meal, many officials at that time began to regard him as "one of us." True, when Yuriy Plekhanov took over the leadership of the KGB Ninth Directorate, Barsukov's apparently firm position was shaken. It was said that he had spoken not very flatteringly, in private, about the new chief of the "Ninth," but the version that refers to a commonplace denunciation seems more probable: Someone reported that Barsukov was in contact with Korzhakov, who had been removed because of his links with the disgraced Yeltsin. It had been practically decided to dispatch the officer to the "cesspool" - - to be chief of a faculty at the Higher KGB School — but at the last moment some of Plekhanov's entourage persuaded him that it would be no bad thing to bear in mind that events might develop in various ways....

After Yeltsin's return from disgrace, Barsukov was not forgotten: He became deputy commandant of the Kremlin, and later, as a result of the purges that followed the August (1991) revolution, commandant of the Kremlin and chief of the Russian Federation GUO. Korzhakov recommended him to Yeltsin, but, after taking advantage of the patronage, Barsukov did not just sit there: He rapidly gained B.N.'s confidence and, together with his former subordinate, began to accompany the president on all his trips and made himself an indispensable participant in private celebrations and hunting and fishing trips. Furthermore, the GUO chief's wife soon became a close friend of Naina Iosifovna [Yeltsina], although of course it would be stretching a point to talk in terms of "family friends."

The clouds gathered over Barsukov for the second time in his life in October 1993, when the "Alfa" group, subordinate to the GUO, refused to carry out the order to storm the "White House." But fate smiled on Barsukov again: After a series of backstage intrigues, the decision to replace him was not implemented. The only punishment, of a kind, was the removal of the Presidential Security Service from the GUO system — it became an autonomous federal department directly responsible for protecting Boris Yeltsin. For a time Barsukov found himself distanced from the head of state, but he gradually began to make his way closer again, reconciling himself without a murmur to the GUO's taking a secondary role (the protection of members of the Russian Federation Security Council and the government, as well as high-ranking foreign delegations).

Like other inhabitants of the Kremlin, Barsukov is from time to time the target of forceful "raids" from various directions. Our newspaper wrote (7 April) about the GUO's dubious contracts in connection with purchases of listening equipment from the West. There were reports of Barsukov's involvement in the privatization of state dachas and their sale to commercial organizations, while certain former KGB staffers and businessmen accused him of having links with the CIA. It must be said that the GUO chief has a weakness — a fondness for as many personal meetings as possible with foreign businessmen — but he can hardly be so naive as to become a U.S. intelligence agent.

Under Barsukov the GUO was transformed into a very powerful and capable organization with a staff 50-100 percent bigger than that of the "Ninth" itself or the protection service, whose leaders, in Gorbachev's day, were accused by democratically minded journalists of suffering from a persecution complex. It is noteworthy that in percentage terms the GUO spends incomparably more on its own needs than its predecessors did. Under Barsukov it has become commonplace for GUO staffers to make trips (whether or not it is necessary) to Germany, the United States, Italy, Britain, France — it seems that the state's money is not stinted for this. At the same time Barsukov is by inclination a typical Russian patriot.

The GUO chief still likes organizing hospitality receptions, and in this respect he is in complete mutual understanding with the president's protocol service. One of Barsukov's favorite amusements is, half in jest, to "pump" a foreign guest with so much drink that he forgets where he is, while he himself, even after drinking a considerable quantity, remains as sober as a judge. (The GUO chief's capacity for drink is legendary in the special services: He prefers vodka to any other drink.) He is also famous for his toasts, although, of course, he also knows how to talk well on serious topics and can deliver a rousing speech to any audience.

Barsukov is registered at the well-known "presidential" residence in Krylatskoye, but he lives in a dacha near Moscow. He still maintains good relations with Aleksandr Korzhakov (although the report that appeared in the press that they had become related to one another through a marriage between their children is not in accordance with reality), and also with Borodin, the president's administrator of affairs. Unlike many of those who have climbed to power, he does not forget his old friends, the former GUO staffers, and he is also friends with the present staffers, including his first deputy, Yuriy Krapivin, a veteran of the "Ninth," and Yuriy Kornev, chief of the presidential communications administration. (Incidentally, Barsukov took presidential communications under his wing in 1992, thereby well and truly wrecking for some time his relations with FAPSI [Federal Government Communications and Information Agency] chief General Starovoytov. Now only the GUO decides who gets ATS-1 and ATS-2 "hot lines" and whose are disconnected. It is the GUO which is the main repository of information on all telephone conversations via government communications.)

Nor does Barsukov forget the GUO veterans, who were very moved by the fact that he personally presented their jubilee medals in honor of the 50th anniversary of Victory. In general the former chekists' attitude toward him is peaceable, although it was not so good after the 1991 "purge." But you certainly could not count Sergey Stepashin among the GUO chief's friends; Stepashin is, to put it mildly, a little bit scared of his Kremlin colleague. Viktor Chernomyrdin also treats him very cautiously — at the mere mention of Barsukov's name, Chernomyrdin's aides seem to withdraw into themselves and switch to sign language. Certain other leaders are also afraid of the GUO chief, suspecting, apparently not without reason, that "his boys" not only protect them, but also report on their behavior in an "informal" situation. Among themselves the GUO staffers affectionately call their boss the "Badger" ["Barsuk"], while Bill Clinton's guards have christened him with a complicated phrase which, in translation, means something like "the badger with the bear's grip."

Barsukov's office is located in Block No. 14 in the Kremlin, where he sits in a luxurious leather chair against the background of a beautifully executed scale plan of the Kremlin. He prefers to dress fashionably and with taste — he is rarely to be seen in his general's uniform (he received the rank of lieutenant general in 1993), more often in a check jacket and dark pants.

There has recently been much talk about an alleged plan to promote Barsukov to Stepashin's job and even to the post of coordinator of all the special services. But it seems the general is none too eager for such heights: How, for instance, could the currently troublesome post of FSB chief be a substitute for the main thing — proximity to the Man Himself? Barsukov has become an inseparable feature of the present ruling regime; he is, in fact, the real boss of the Kremlin, and he is hardly likely to give up that post in spite of the most tempting offers.

Three Versions of FSB-Police Clash Offered

MM0906193195 Moscow IZVESTIYA in Russian 10 Jun 95 p 3

[Feature by Vadim Belykh, Sergey Mostovshchikov, and Arkadiy Zheludkov: "Three Versions of the Shoot-Out on Trade Union Street"]

[FBIS Translated Text] In the previous issue our newspaper described the shoot-out on Profsoyuznaya [Trade Union] Street in which Russian law enforcement officers fired on one another. We have already presented the preliminary versions of events from the MVD [Ministry of Internal Affairs] and the Federal Security Service [FSB] regarding the culpability of the opposing sides for starting the conflict. As time passes so the event looks different. We intend to present the circumstances of the shoot-out between the power structures as they interpret them.

The Version of Circles Close to the FSB

The FSB, who fought it out with the police on Profsoyuznaya Street, is still refusing to make any official comment on the incident. The leadership of the capital's state security service and Moscow's chief police official have agreed to keep all the information about the incident out of the press.

From sources close to the FSB leadership and the Military Prosecutor's Office, however, we have been able to establish some details of the story which the Moscow special services are adhering to. According to that source on 7 June a joint squad from the capital's FSB and the 4th Directorate of the Russian MVD's 8th Main Directorate numbering around 15 men were conducting a secret operation on Profsoyuznaya Street. The aim of this operation was to detain a group of people illegally possessing some highly enriched uranium materials. The plan was to catch the courier in the act of transferring a bag containing the radioactive consignment from one hiding place to another on 7 June.

Bearing in mind the importance of the operation and the secrecy with which it was conducted the policemen on duty at the traffic control point and nearby staffers of the State Highways Inspectorate [GAI] were not informed about it.

At 2030 hours the squad successfully captured the criminals they were after and began documenting their triumph. There were three video cameras in operation at the scene, witnesses made official statements, and the investigators began sealing the bag containing the uranium-filled evidence prior to sending it to the appropriate destination.

While all this was going on a Zhiguli car bearing police markings stopped on the other side of the road. FSB staffers approached the uniformed policemen sitting in the car, introduced themselves, and said there was no cause for concern, after which the patrol car drove off. At 2042 hours, however, a single shot was heard at the scene where the team was still working. According to the source the policeman who did indeed fire the shot later testified that his gun had gone off by accident and that the shot was involuntary.

That did not emerge until later, however. At that time the men who turned in the direction of the gunshot saw a white police Ford, codenamed an "interceptor" car, moving slowly along the right side of the road toward the group, its police lights switched off and a man in civilian clothes running alongside. About six seconds after the video cameras were trained on the Ford it ran into the parked RAF van belonging to the 4th Directorate of the Russian MVD 8th Main Directorate, reversed sharply, and then drove at the team at full speed. From inside the Ford uncontrolled automatic fire began through the car's tightly shut windows [as published].

The source claims that the FSB team took these remarkable events to be an attack on a stolen police car. The special services staffers were confused by the man in civilian clothes running to the left of the Ford. It is also claimed that they did not know that the man sitting alongside the driver was a policeman because he was not wearing his cap and was wearing a gray bulletproof vest which covered his shoulder straps and other law officer's insignia. That is why the FSB and MVD staffers threw themselves to the ground and began firing their revolvers, wounding the policeman and killing the man in civilian clothes, who turned out to be an unarmed trainee named Aleksey Sukhorukov who was born in 1974. An FSB staffer was also wounded during these paramilitary actions.

That is the version of the 7 June events according to circles representing the interests of the special services.

The Police Version

MVD staffers give a version which is broadly similar to that provided by the FSB staffers. But with what they see as some important clarifications.

According to the police, at 2030 hours a young man approached the GAI inspector standing at the intersection of Krzhizhanovskaya Street and Profsoyuznaya Street and complained that strangers in civilian clothes had threatened him with a weapon. The inspector summoned the duty team from the PPS [expansion unknown] No. 3 regiment. According to the policemen who approached the strangers they did not get a clear view of anything.

The Ford with the doused lights drove up to the place identified by the stranger and stopped. The unarmed trainee got out of the car and immediately fell to the ground, struck by a bullet. The two patrolmen and the traffic inspector ducked down in the car and released the brake. The vehicle, with no brake to hold it back, rolled downhill and rammed the UAZ [type of jeep] standing by the roadside. At that moment another police sergeant was wounded in the shoulder by unidentified people in civilian clothes.

His comrade opened return fire. Both sides began firing at one another until at last one of the FSB staffers ran up to the Ford waving his identification and shouting: "Don't shoot, boys, we're on your side."

Indeed, at this point it all stopped. Admittedly, one of the Russian Federation MVD staffers did put forward a completely surprising account of what had happened. In his words, there was no uranium present at all and the people in civilian clothes were protecting a VIP on Profsoyuznaya Street. They took the police Ford which drove up at top speed to be a car full of criminals intent on attacking the VIP so they opened a barrage of fire.

During the clash the police fired 41 shots (30 from an automatic gun), The FSB is saying nothing about its fire power at the moment.

The Prosecutor's Office Version

A third side took part in the conflict on Profsoyuznaya Street — the Russian General Prosecutor's Office. Your IZVESTIYA corespondent asked Sergey Gerasimov, the Moscow prosecutor, and Valentin Panichev, Russia's main military prosecutor, to comment on the event. The order in which your correspondent spoke with the prosecution staffers follows the order in which the case was dealt with at the different official levels: Staffers from the city's prosecutor's office went to the scene of the incident, on day one the investigation was taken over by the Main Military Prosecutor's Office, and finally the case was handed over to the General Prosecutor's Office.

Sergey Gerasimov:

It is a crazy incident. It is difficult to understand. The investigation must painstakingly uncover all the circumstances of the shooting. FSB workers are now saying that the police opened fire first. The policemen assert categorically that the FSB men were first to fire...

The cross examinations are being carried out now and the results of the expert analyses will be ready soon.

The problem is like this. A citizen informed the police group on duty that some armed people were standing on a street corner pestering passers by. I see nothing in this specific incident to explain why the FSB staffers should inform the police about their covert operation. An additional leak of information might have wrecked the operation. In this situation there was no reason for the police and the FSB to coordinate the time and location of the operations...

What is crazy about this incident is that the policemen were in a Ford with police markings and insignia. The policemen explain that the shot from the Zhiguli in which the FSB staffers were sitting took them by surprise. What explanation can there be here? There is simply no logical explanation for the shoot-out... It is hard to picture what happened if you listen to the sides' explanations: "We were just standing there and they fired at us from an automatic."

I can remember only one such incident before — the skirmish at the Most Bank. Fortunately it did not degenerate into an armed confrontation that time...

Valentin Panichev.

Vladimir Kazakov, the Russian General Prosecutor's Office investigator for especially serious cases, has now been assigned to investigate the case. A special group will work under his leadership.

The main question facing the investigation today is this: Who fired first? When that is answered the cause of the tragedy will become clear: Was it negligence, a lack of coordination, or did someone lose his nerve. The picture will not be complete until all the witnesses have been interrogated and all the forensic tests have been carried out. There is no point commenting on the incident before that...

Criminal Ringleaders Detained in Sochi

954F2434A Moscow IZVESTIYA in Russian 1 Jun 95 p 7

[Article by Vadim Belykh, IZVESTIYA: "Criminal Christening Parties. An IZVESTIYA Correspondent Managed To Penetrate Into This Grand Meeting of Thieves"]

[FBIS Translated Text]

Visiting Papa Khasan

Sochi-Moscow—I elbowed my way toward the exit of the Sochi airport and looked back once again at the passengers who had flown in with me on the Il-86. There did not seem to be any obvious criminals among them. But who can tell. The majority of modern crime bosses and big shots in our criminal world long ago abandoned their unpretentious life style. Having changed into expensive suits, they look more like respectable businessmen than heads of criminal clans.

There is nothing you can do. After making my way through the noisy crowd of taxi drivers, I stepped toward the bus. Then, after I was already in the hotel, I took out my notepad and jotted down what I had learned up to that point.

There was to be a gathering of thieves in Sochi. An event, frankly, that is not uncommon in the health resort city. The mild, pleasant climate, the crowds of vacationers, among whom it is easy to get lost, the friendliness of the local administration— everything here has always contributed to a situation where home-grown "godfathers" could gather and, combining work with play, resolve their gangster issues. But, judging from the information I received, this time something grander was in the making. Invitations to participate in the assembly had been received by a multitude of crime bosses, criminal big shots, "candidates" (criminal big shots in the position of crime bosses but not yet installed in office), "overseers" (big shots assigned to check on the "order" on a certain territory)....

The issues to be resolved at the gathering were extremely serious. Dividing up the Black Sea coastline in Krasnodar Kray, redistributing zones of influence in the economies of important Russian regions, mainly those related to oil, gas, metals, and timber.... At the end of the gathering they planned an unprecedented mass promotion of young big shots to crime bosses. About 10 of them all at once.

Everything was scheduled around a sad date—the anniversary of the death of the local "godfather" Rantik Safaryan. The most moving events were to have coincided with the solemn dedication of the monument on his grave.

The chief organizer and leader of the gathering were the crime boss Khasan (Papa Khasan) and Aslan Usoyan, who had been repeatedly convicted in the outside world, a man a little more than 60 years old. He is someone who is widely known and respected in criminal circles and unites some of the Caucasian and Slavic criminal groupings. He has influence in Moscow, in the Urals, and in the southern krays and oblasts. Recently he has been traveling frequently to Benelux countries. There he is usually received as a successful businessman with no suspicion that he is really one of the most hard-core Russian "godfathers."

Rantik Safaryan died of cirrhosis of the liver on 24 May. I arrived in Sochi on the 23d. Contrary to expectations, the congress was not held on the next day. But participants in it, obeying all security measures, flocked to the health resort. The crime bosses arrived secretly. Miron from Moscow—in his own car—Nodar—by air. We have no idea how many of them arrived. The "significant people" settled down in private apartments and homes. The smaller fry were more public, preferring the Radisson-Lazurnaya or Zhemchuzhinu.

The "Lavrushniks" Against the Righteous

Two locals worked directly on the location and the secret preparations for the final meeting. The crime boss Nerusskiy (Viktor Syrtsov) and the "overseer" of Sochi Guseyn (Guseynov).

The general mood was dampened by the fact that some of the "thieves' community" were hostile toward the health resort gathering. The invitations were declined by the legitimate ones Ivan-Ruka (Ivan Chernigov), Shchenok, and the Krasnodar thieves. And the local authorities in Sochi itself, Rezo (Rezosichinava), Krakhmal (Sergey Krakhmalyuk), Vara (Valeriy Sergiya), and Alvachik (Sergey Apovidzy). All this was a manifestation of a recent conflict between the "Lavrushniks" and the "honest thieves."

In the criminal environment, thieves who have received their high rank not for specific "services" (many of them, as distinct from "honest" ones, have not spent an especially large amount of time in jail) but by using bribes or taking advantage of personal connections with high protectors from the criminal world, are called "Lavrushniks." In recent years there have been especially many of these "godfathers." Their opponents considered the gathering in Sochi to be a demonstration of the triumph of the "Lavrushnik idea" and they refused to participate in it.

Nonetheless, by the evening of 24 May the number of "guests" exceeded 200. Workers of the North Caucasus RUOP [Regional Organized Crime Administration], the kray FSB [expansion not indicated] administration, the line internal affairs administration in transportation, and operatives of the Main Administration for Organized Crime of the Ministry of Internal Affairs of the Russian Federation, who flew from Moscow especially for this, did not fail to give them attention.

The health resort city continued its carefree life, but on its streets there was a competition that went unnoticed by outsiders. Who would outfox whom and who would win.

Neither the date nor the precise time of the assembly were known.

A Grenade Thrower Is Put To Work

The situation became much worse on 25 May. Ministry of Internal Affairs and FSB workers received the information through operational channels. The "overseer," Guseyn, failed to share something with the gangster under his jurisdiction. The Tri Semerki casino ended up at the center of the conflict. Without thinking about it for very long, he decided to sweep the ill-fated institution from the face of the health resort's earth.

To do this it was necessary to bring three Mukha grenade throwers up to the Tri Semerki. The commandos who followed it were to take them, shoot a few rounds at the Semerki, and then run for cover.

Operatives immediately went to the site of the incipient terrorist act and arrested the group. Detectives started working on all kinds of versions of the story. Soon the report came out: The whole incident with the grenade throwers was out-and-out disinformation released especially to temporarily distract the attention of law enforcement forces from the criminals who were meeting in Sochi. Why?

Another report put everything in its place. In the Turetsk Center near the Moskva Hotel there was a hasty meeting of the thieves and big shots.

I hurried to get there. It was too late. Everyone was already seated in their vehicles. It was practically impossible to get a look at the "godfathers." They were safely protected from casual onlookers and, I suspect, possible video films by a dense wall of commando-bodyguards....

On that same day I went out to the Sochi cemetery to have a look around.

....A road stretches through the hospital grounds. Then there are some garages. And there on fairly steep slopes for as far as the eye can see is the final resting place for Sochi residents. On the left side is the old cemetery, and on the right—the new one. They are separated by a dusty road. Before going through the graves it again turns abruptly upward and you have to turn left. This is the main entrance to the new cemetery. In front of it is a small oval area which is marked by not even a monument but, rather, an entire memorial complex. This is where the crime boss Rantik Safaryan is buried.

The whimsical fantasy, they say, of the best local master, an Adler Greek, created something like the foundation for a mausoleum here. Steps lead up to the area from one side and it is surrounded on the other three by a low wall. In the center on a slab is a bas-relief in the form of a cross. Behind it is a high wall on which there is a life-sized engraving of the deceased mafioso. It is all in black marble.

But the monument is not finished yet. And perhaps this is the reason for the delay of the assembly. Sunburned people are pounding with hammers on marble slabs and making some kind of markers. Nearby is a luxurious BMW with a Ukrainian plate and also a couple of other foreign cars and Zhigulis. Their passengers are standing in the shade observing the work.

I climbed higher up the slope. Here a couple of steps from Rantik's monument among the graves were a couple of little houses. Their inhabitants were digging in their gardens and in one of the yards....they were having a small party. The cemetery inhabitants are not inclined especially to enter into conversation with a stranger. They answer briefly:

"Yes, we know that a crime boss is buried down there. He could do anything he wanted to in Sochi. He died. Others came. Our lives have not improved...."

That was all there was to the conversation. Rantik Safaryan was one of the most senior Russian thieves. He ruled over all of the Krasnodar Black Sea coastline. There were quite a few dark spots in his biography. He was once sentenced to death for participating in a murder. Then the death sentence was replaced by 15 years, and then they released him altogether long before his sentence was over. Some say that he bought his life and freedom for a large amount of money. Others say he made a deal with the then KGB to which he had subsequently rendered considerable services. Apparently the truth here will never be known....

The Guests Gathered at the Grave

Now, finally, there was a concrete date for the gathering—27 May. Only the exact time was not known. On the territory of the Sochi Internal Affairs Administration they were working out the final operation. Judging from rumors, the local leaders were extremely disapproving of the idea of having workers of the GUOL [expansion not indicated] of the Ministry of Internal Affairs of the Russian Federation arrest participants in the assembly right there at the cemetery; they were afraid of mass disturbances. They insisted, thinking that those gathered at the grave would not have any special feelings toward the memory of the deceased and would take advantage of the anniversary of the death in order to solve their own problems.

A decision was made. Knowing what it was, at 1000 on the 27th I again went to the cemetery. There was already a lot of hubbub around there. The area around the monument was cleaned up. Somebody hastily wiped off the table with a wet rag.

As noon approached, the commandos appeared. They were forming a cordon. Some of them had bags for documents but, judging from the way they carried them in their muscular arms, you could see that the contents were not papers. And there was Guseyn in dark glasses and a striped shirt. It seemed that he was in charge here. He was giving instructions. He was meeting the guests as they arrived.

The bored guards were clearly beginning to display an unpleasant interest in my person. Not surprising: I had been hanging around the dear grave for two hours. I climbed up the slope of the cemetery to observe what was happening as the guests gathered. What else could I do. All the little spots I had enjoyed previously were now filled with people. Like people mourning departed loved ones right there within a stone's throw of the area in front of Rantik's monument.

All right, I still found a place to hide. A little hillock, overgrown with bushes, fairly close to the epicenter of events, and it had an excellent view of everything.

At 1248 a dark foreign car drives up. Khasan emerges heavily from the back seat. A servant quickly opens up the trunk, takes a huge bouquet of roses out, and obediently gives them to his boss. The latter places the flowers on the monument and, escorted by Guseyn, moves to the side.

More and more guests appear. The approach road is filled with luxurious foreign cars. The Kazan leader Nazarov, wearing a flowery shirt, walks with several people. According to rumors, he is one of the "lucky ones" who may receive the rank of crime boss today.

At the monument a priest in full vestments is saying something. It is at this moment, as I later learned, that operatives tried again to give out some more "disinformation": that the current assembly was taking place not in the cemetery but in a building on Roz Street. This did not work.

The number of people gathered had passed 150 when another truck, turned into something like a buffet with drinks and snacks, drove up to the area. The priest left, and at 1320, abandoning my refuge, I again pushed into the crowd at the monument. Here in a modest Toyota Celica the criminal boss Miron (Mamedov), who largely controls South and West Siberia, drove up. Hobbling after him using a cane was one of the oldest "Soviet" bosses, Nodar (Gogiashvili). Mikho (Tsintsadze) was wearing a black shirt—he has a solid share in the "oil business" and delivering drugs to Moscow from Central Asia and Bashkiriya. Right there was the crime boss Trofa (Trofimov) from Yekaterinburg. Nearby in the crowd were our ruling bosses Leyba and Kats, who are now foreign citizens. One came to the "Sochi ceremonies" from Greece, and another from the United States.

They were waiting for some other "important person from the administration," but who that person was who never arrived (possibly he was warned ahead of time) remained a mystery.

In the meantime they began to proceed with the assembly. The "godfathers" spoke with one another. Certain business had already been taken care of. And in the center, as secretary general, was Khasan, directing all the action. People came up to him in groups and they brought certain other people up....

The End of the Assembly

At 1400 Khasan went up to the monument again and to the sad songs of the orchestra made up of folk instruments raised a glass of champagne....

By that time all approaches to the cemetery had been cut off. A GAZ-66 with commandos from the local SOBR [expansion not indicated] and Zils with soldiers from the militia detachment were ready and waiting. There were also operatives from the Sochi Organized Crime Department and their colleagues from the ministry. According to eyewitness testimony, none of the city police leaders were at the scene of the operation, for which there had been no precedent in the country. The chief of the Organized Crime Department in Sochi was nowhere to be seen at the cemetery at the decisive moment either. As a result, the command for the arrests had to be given by an operative of the GUOP of the Ministry of Internal Affairs of the Russian Federation.

....Swallowing a couple of times, Khasan spit out what was left of the champagne on the pedestal and left. He was replaced by a crime boss in a white suit, and then Mikho did the same thing with the champagne. After that people came up to the grave in groups, brigades, and clans....

At that moment SOBR commandos came up to the site. The crowd was cordoned off. Soldier-policemen ran in after that rattling their shields. Several people immediately started running through the graves. Mainly from among the commandos who were the first to come to the site of the assembly, shaking their heavy leather bags. The official from Adler, who was also to have been inaugurated as a crime boss today, also scrambled down. Pistol shots rang out and then from below, where the people were running, there were several more shots from individual automatic weapons.

For no apparent reason, perhaps out of old camp instincts, the crime boss Mikho broke into a run. He tripped on the headstone and fell to the ground, raising a dense cloud of dust....

I had already been drawn out of the crowd by a raised hand and I could see how the crime bosses, the big shots, the hangers-on, and the commandos were getting into their vehicles. They passed in long lines past the monument to Rantik, and the dead crime boss looked down at them from his monument, his marble eyes showing no understanding. Khasan, who had made his way through, the crime bosses Matvey (Pilidi), Volchka Krasnodarsky, Dato Krasnodarsky (Kabipashvili), Shambu passed by....the bigshots were loaded into the bus. Many of them had guest cards from the Zhemchuzhina Hotel with the mark "Kinotavr." Incidentally, representatives of the administration of this hotel were also guests of the "godfathers."

Yelling at the policemen, a man about 40 years old, arrested as a participant in the assembly, got into the car. On the territory of the City Internal Affairs Administration he showed his document showing that he was a senior assistant prosecutor of Krasnodar Kray, Garik Ziroyan.

Incidentally, the majority of those who were arrested had a slight but fairly painful fright. Toward evening after they had been scolded, they were given their freedom. Alas, the law is not perfect, and it was not possible to bring charges against any of the participants in the assembly. The local authorities did not want to risk applying the presidential edict and giving some of the crime bosses 30 days in jail.

But the main purpose of the operation was still achieved. The largest crime assembly for show did not come off. In spite of all the precautions, it was disrupted, showing that the power in this country does not yet belong to the criminal elite. The "godfathers" did not manage to divide up the juicy morsel of the Black Sea coast among them or to regulate criminal control over a number of Russian regions. Some 10 criminal bigshots could not be initiated into the desired crime boss rank. The criminal world suffered a certain amount of harm.

The banquet table in the hotel of the village of Plastunok waited for 350 guests of the assembly in vain. No more than 40 showed up. Khasan, trying to save face, sent his apologies to the relatives of the deceased Safaryan and loudly promised to deal harshly with those responsible for the immense failure.

Other crime bosses conducted a hasty conference in the foyer of the Leningrad Hotel. They, however, were not interested in global issues but the trivial problem of how to get out of there as quickly as possible....

Federal Assembly

Duma Asked To 'Condemn' NATO Action in Bosnia

MM1206130995 Moscow KRASNAYA ZVEZDA in Russian 10 Jun 95 p 2

[Report by Vladimir Yermolin: "Russian Federation State Duma on Yugoslav Conflict"]

[FBIS Translated Text] Sergey Glotov, chairman of the State Duma Interparliamentary Group of Deputies for Ties with the Federal Republic of Yugoslavia, has prepared a report on the results of his recent trip to the Balkans.

According to Sergey Glotov, in the region today "there is an unprecedented escalation in military conflict. The Adriatic region has not seen such a concentration of NATO warships since November 1992, when the blockade was being established."

Deputies from the Interparliamentary Group submitted for a draft decree for the Duma's examination proposing that it "condemn the unilateral strong-arm acts by NATO in Bosnia and Herzegovina; propose that the Russian Federation president and government veto any attempt in the UN Security Council to replace UN forces with troops from any local military groupings, including NATO; suggest to the leadership of the Serb Republic that it immediately release the UN peacekeeping forces servicemen being held hostage; and rule that, in the event of the further continuation of unilateral actions against the Serbs, particularly violations of the embargo on supplies of weapons to the Bosnian Muslims or the Croats, the Russian Federation's participation in economic sanctions against Yugoslavia be discontinued and that the Russian Federation government instructed to guide Russian representatives both in the United Nations and in the Contact Group to ensure a peaceful, political settlement in Bosnia and Herzegovina."

Election Law Commission Conclusions Detailed

MM1206134595 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 10 Jun 95 p 2

[Report by Yevgeniy Skukin: "At the State Duma: Law on Elections Adopted"]

[FBIS Translated Text] After three sittings of the tripartite coordination commission, the Law on Elections of State Duma Deputies was reexamined by the lower house yesterday.

Commission cochairman Vladimir Isakov reported on the results of the commission's work. He said that the Duma members had categorically rejected the proposal to abandon the equal representation of deputies from parties and electoral districts. After three days of discussions the sides arrived at the following formula: Electoral associations form the so-called central section of the party list of the 12 best-known political figures, a kind of "politburo." All the remaining bloc candidates come from the regions.

In accordance with the coordinating commission's decision, candidates from parties and movements need 1 percent of the electors' votes in order to be nominated. The votes collected by each party member will go into the party's "pool."

After coordination, the president's proposal not to release state employees and journalists who are candidate deputies from their official duties during the election campaign period was worded as follows: "After registration a candidate deputy is not entitled to use his official position for election interests."

The president's representatives promised to inform the head of state that they are convinced by the case presented by the State Duma, the Federation Council, and the Central Electoral Commission on the inadvisability of raising the election turnout threshold from 25 percent to 50 percent. They have also informed the president of the opinion of the majority of members of the coordinating commission on the unacceptability of a two-round election.

The majority of speakers in the debates of the factions' representatives agreed with the amendments put forward.

The lower house adopted the Law on Elections by 264 votes [no other voting figure given]: The law will now go on to the Federation Council to be ratified.

Duma Economic Policy Committee Head Interviewed

954F2484A Novosibirsk VECHERNIY NOVOSIBIRSK in Russian 2 Jun 95 p 6

[Interview with Sergey Glazyev, leader of the Democratic Party of Russia and chairman of the State Duma Economic Policy Committee, by VECHERNIY NOVOSIBIRSK correspondent Yuriy Sergeyev; place and date not given: "Almost a Third of the Population of Russia Will Not Get Enough To Eat by the End of the Year"]

[FBIS Translated Text] At the anniversary conference of the DPR [Democratic Party of Russia] our correspondent met with the leader of this party, Sergey Glazyev, who is chairman of the State Duma Economic Policy Committee, and asked him a number of questions.

[Sergeyev] In what regions does your party expect to receive the greatest support in the forthcoming elections?

[Glazyev] We are hoping for the support of the electorate of the south of Russia, where the leader of the Duma faction of the DPR, Govorukhin, is very popular—this is associated with his participation in resolving problems of the Chechen war. We are still counting a lot on the mass support of voters in such scientific centers as Yekaterinburg, Novosibirsk, and St. Petersburg. Cumulatively, I think we will receive on the order of 10 percent, perhaps a little more, of the votes.

[Sergeyev] What will be your first steps if you become prime minister?

[Glazyev] The specific plan of action was presented last year even to the current Cabinet of Ministers, and included three first-priority measures.

First, an increase in investment activity in the economy through an expanded federal program—first of all, a program for conversion of the defense industry. Plus the granting of state guarantees for the purpose of attracting private investments in promising projects with simultaneous suppression of large-scale financial speculation, inasmuch as this diverts capital to all kinds of lotteries of the MMM joint-stock company type, and the like.

The second direction is protection of the domestic market. For this we have prepared proposals for import tariffs and proposed to introduce a number of quantitative restrictions on the importation of some types of commodities.

The third direction is an increase in the competitiveness of our nation's industry through the conduct of an appropriate ruble monetary rate of exchange policy and the development of a program to stimulate industrial exports.

Implementation of the aggregate of these measures would make it possible to begin to emerge from the economic depression. At the same time, it would be possible to keep inflation within the range of 5.5 percent per month by the middle of the year and to lower it to 2-3 percent by December. The government rejected this plan on the pretext that we did not guarantee a decrease in inflation to a 2 percent monthly average. It was funny to hear this at that time and even more so now, as the government has been unable to bring inflation down to a level of 5 percent, as it promised in the first quarter. Today inflation is 8.5 percent, and it is obvious to everyone that our forecast was absolutely correct.

[Sergeyev] What do you think, is it possible, because of the catastrophic situation in the economy, that our authorities will cancel the elections? If they are held, then how do you assess the chances for the Russia Is Our Home movement?

[Glazyev] The government is already now trying to cancel the elections: Chernomyrdin was able to get the president to veto the law on elections in the lower chamber of parliament. But in addition, I simply know these people. At one time, in order to remain in power, they incited the president to employ armed force in the fight with the political opposition. It will hang on to authority to the very last. Indeed, why hold elections to the government? The party of authority has formed itself, the Federation Council is tame, thus they will make an attempt to do without the Duma, which for them is an annoying hindrance.

According to our forecasts, which were corroborated by the calculations of the Institute of National Economic Forecasting of the Academy of Sciences, by the end of the year 30 percent of Russians will not get enough to eat; that is, they will consume less food than necessary to renew the capacity to work. Today, 10 percent of the people are like this. It is clear that the party in power in such a situation will inevitably suffer a defeat in the elections.

[Sergeyev] The dollar rate of exchange has been falling in the last few weeks, and a number of economists detect a sign of financial stabilization in this. What do you think of what is happening on the currency market?

[Glazyev] The very deep economic depression that is now taking place in Russia, according to the theory of long-term modern economic development is a prologue, as a matter of fact, to a deep world depression. The depreciation of capital is occurring along the chain: United States-Europe-Japan-Mexico-again the United States, and so forth. The fact that the world is being drawn into another deep depression is quite normal. Thus, the West is wrongfully looking on calmly at the colossal economic crash in Russia, thinking that this will not affect them—no, the wave of capital depreciation will sweep over them as well.

The United States is the center of the world economy; therefore, of all of the currencies, the decline began precisely with the dollar. But the dollarization of our economy, of course, aggravates the economic depression in Russia even more.

More than half of the monetary turnover in the country is the turnover of foreign currency. It is a problem of colossal importance, but the government is not paying it serious attention. Perhaps because the loss of its national currency is one of the elements of Chubays' economic "stabilization" plan? It looks like it.

Committee Meets To Set Up Council of Compatriots

LD1206193095 Moscow ITAR-TASS in English 1904 GMT 12 Jun 95

[FBIS Transcribed Text] Moscow, June 12 (ITAR-TASS) — "The creation of a Council of Compatriots at Russia's State Duma — which is to become a sort of 'miniparliament' of our former fellow-countrymen who found themselves outside their Motherland against their own will — will make it possible to establish closer and immediate contacts between the Russian legislature and Russians abroad, as well as to set up more quickly the organization framework of the Russian community abroad", according to Konstantin Zatulin, head of the State Duma committee for CIS affairs and ties with compatriots.

Zatulin addressed as chairman the first meeting of the Organizing Committee for creating a Council of Compatriots at Russia's lower house of parliament, the Duma committee said in a press release on Monday.

Apart from State Duma deputies, the meeting of the Organizing Committee was attended by 50 representatives of Russian communities, organizations and associations from all former Soviet republics. They discussed preparations for the Congress of authorized representatives of Russian communities abroad, which is to be held on July 18-19 and to elect the Council.

The decision to set up the Council of Compatriots at the State Duma was made by the Russian legislature at the initiative of the Committee for CIS affairs and ties with compatriots on April 5, 1995.

Regional Affairs

Update on Battlefield Situation in Chechnya

Russians: 3,000 Fighting for Dudayev

LD1206194495 Moscow ITAR-TASS in English 1924 GMT 12 Jun 95

[By Nikolay Zagnoyko]

[FBIS Transcribed Text] GROZNYY, June 12 (ITAR-TASS) — Only five or six scattered troops manned by about 3,000 militants keep fighting for Dudayev, according to estimates by the federal troops command in Chechnya. Approximately the same number of fighters deserted from their regiments after Vedeno, a strategic point in southern Chechnya, was taken under federal control early in June. They were said to pour to flatland to join their families.

Dudayev Sends Saboteurs to Ingushetia

LD1306090595 Moscow Radio Rossii Network in Russian 0800 GMT 13 Jun 95

[FBIS Translated Text] A special sabotage and reconnaissance group has been sent into Ingushetia on Dudayev's orders. A representative of the press bureau of the internal troops of the Ministry of Internal Affairs of Russia reports that the group is composed of ethnic Slavs, mainly with a criminal past. They are all dressed in the uniform of federal troops. The main aim of sending the group is to carry out sabotage.

Troops Closing On Shatoy

LD1306101295 Moscow ITAR-TASS in English 1006 GMT 13 Jun 95

[By Olga Semenova]

[FBIS Transcribed Text] MOSCOW June 13 (ITAR-TASS) - Federal troops are closing in on the town of Shatoy, possibly the most fortified base of Chechen rebels in southern Chechnya. According to earlier reports, Russian forces are within one mile from the town which is stubbornly defended by illegal detachments of separatist leader Dzhokhar Dudayev.

Rebels suffered heavy losses over the past 24 hours: 130 dead. Casualties of federal forces, including the Defence Ministry, were two servicemen killed and 13 wounded, ITAR-TASS learnt from the command of federal forces in Chechnya.

Russian troops also destroyed an enemy munitions dump, two antiaircraft systems, quashed five outposts and nine firing emplacements.

Many rebels try to leave the zone of combat operations separately or by small groups under the guise of refugees and flee to the neighbouring Dagestan and Ingushetia republics, also members of the Russian Federation.

According to a representative of the command, Russian units continue drives in the southern and south-eastern directions, using manoeuvring and smoke screens. Rebels use artillery fire and armour near the villages of Yarysh-Mardy and Zony, trying to stop the Russian offensive on Shatoy.

Troops from the Interior Ministry's Dzerzhinsky division, operating east of Alleroy village, prevented a capture by kamikaze gunmen (Dudayev even created such a category of fighters, the representative said) of a Russian tank and destroyed the attackers.

Dudayev Said Planning Groznyy Attacks

LD1306102895 Moscow INTERFAX in English 1020 GMT 13 Jun 95

[FBIS Transcribed Text] GROZNYY, June 13 (INTERFAX) - INTERFAX has learned from well-informed sources in federal departments that supporters of Dzhokhar Dudayev are planning to carry out a series of terrorist attacks in Groznyy in the near future. Their targets will be government institutions and individual servicemen.

As the sources said, the planned terrorist attacks are to begin on Thursday. Dudayev loyalists are said to believe that such attacks will provoke retaliatory measures against local civilians.

As the same sources told INTERFAX, in the village of Avtury (south-east of Grozny) the field commander Jabayev ordered a firing squad to shoot 38 families for supporting the new administration along with eight militants for refusing to take part in the reprisal.

A spokesman for the federal command has confirmed for INTERFAX that some militants are deserting armed formations. For instance, on Monday alone about 30 men left the unit of field commander Basayev.

Turkish Organizations' Aid for Dudayev Chechens Viewed

MM1206133795 Moscow KOMSOMOLSKAYA PRAVDA in Russian 10 Jun 95 p 1

[Commentary by Mikhail Maksimov under the "Proven" rubric: "Recruiting Gunmen for Dudayev in Turkey"]

[FBIS Translated Text] If Dudayev ever wants to emigrate he will surely go to Turkey. That country has already become a second home for the former president's comrades in arms. According to Turkish newspapers Shamsetdin Yusef, Dudayev's foreign minister, has set up a base in Istanbul and is maintaining contact not only with the leaders of Islamic organizations but also with Turkish President Demirel's immediate entourage. Yusef is receiving help from Said Ibragimov, transport minister in Dudayev's cabinet.

The task of Yusef and his team is to obtain money and weapons which they send to Chechnya. In addition, they recruit cannon fodder — the people who will use the weapons, thus prolonging the war and increasing the number of casualties. Admittedly, Yusef and his assistants do not do the recruiting personally. They do that through Turkish Islamic organizations.

The Turkish authorities are taking an ostensibly neutral attitude toward this activity. When state officials receive Dudayev's men at official level they restrict themselves to general discussions about the need to end the conflict. According to the Chechens themselves this situation suits them down to the ground — the Turkish authorities are doing nothing to hinder their work of collecting money and recruiting mercenaries.

Formally speaking, it is hard to find fault with anything here, it is true. The Turkish organizations "Caucasian-Chechen Committee on the Observance of the Situation in Chechnya," the "Solidarity With Chechnya Committee," the "Prosperity Party," and other organizations with equally fanciful Eastern titles have been especially successful at funding the Chechen war. They are operating under the noble slogans of "the creation of the Chechen people's aid fund." In fact, however, things are not as noble as they seem. The "fund" is being used mainly to buy weapons. What is more, there are businessmen swarming around the "fund" whom you would not suspect of being unduly scrupulous. Zulay Khamidova, a Chechen woman posing as a Dudayev supporter, has been using this money to sort out her own problems. According to Chechen sources she was found guilty of misappropriating large sums of foreign currency back in the days of the Chechen Republic.

The cash collected by the Muslims reaches Dudayev by a roundabout route and is certainly not being used for humanitarian purposes. Strictly speaking, the collection of resources in this way and their transfer in the form of cash are in violation of the Turkish Government's decision on the distribution of financial aid solely via international organizations, specifically via the Red Cross and the Red Crescent. However, as "those in the know" in Dudayev's entourage have been saying, in the event of legal problems they will be bailed out by "their man" in the Turkish leadership — Niyazi Gyuney, the Turkish president's legal adviser who is an ethnic Chechen.

Among the fundamentalist organizations specializing in the recruitment of mercenaries for Chechnya are "Mili geryush vakfy" [name as transliterated], which is planning to send around 3,000 gunmen to Chechnya in the near future, and "Nizami alem odzhaklary" [name as transliterated] ("Centers of Islamic Order"). The second office is operating on a properly professional basis and even asks applicants to fill out its headed application form. The document bears the heading "Form for those wishing to go to Chechnya" and contains the minimum information necessary for the recruitment of mercenaries. All that people have to supply is their forename and surname, age, place of birth, and blood group and the aspiring fighter for the creation of "centers of Islamic order" in Chechnya is ready to go. You only need your per diem and you can look forward to finding yourself under fire from the federal troops.

Tatarstan Council on Land, Financial Reform

954F2501A Kazan IZVESTIYA TATARSTANA in Russian 7 Jun 95 p 1

[Article by the Press Service of the Cabinet of Ministers of the Republic of Tatarstan: "Meeting of the Presidential Council"]

[FBIS Translated Text] The first meeting of the Presidential Council of the Republic of Tatarstan was held in the Kremlin on 5 June.

M. Shaymiyev congratulated the members of the new council on their appointment to the authoritative organ of the republic, and emphasized that the creation of the Presidential Council was dictated by the need for collective consideration of the most important problems in republic life and the strategy and tactics for conducting political and economic reforms.

The results of the Days of Tatarstan that had just ended in Moscow were summarized at the meeting. They received high marks from both the residents of the capital of the Russian Federation and also from the federal organs of authority, although the tragedy on Sakhalin left an imprint. It was noted that in spite of the great difficulties of the transition period, literary and art figures of the republic showed a high professionalism and mature mastery which evoked the gratitude of numerous viewers in the capital's audience.

M. Shaymiyev emphasized the need for careful study and, to the extent possible, satisfaction of the needs of theatrical collectives, the state philharmonic society imeni G. Tukay, song and dance ensembles, and creative unions in the republic. This was followed by a review of the question "On Progress in Implementation of the Edict of the President of the Republic of Tatarstan 'On Regulating Land Relationships in the Republic of Tatarstan.'" A. Yefremov, chairman of the State Committee of the Republic of Tatarstan for Land Resources and Land Reform, gave a report.

He emphasized, in particular, that Goskomzem [State Committee for Land Resources and Land Reform], in cooperation with other organs of state authority and offices, is conducting a reform of land relations, paying principal attention to the transfer of land from state to private, collective-share, and joint ownership, and the formation on this basis of genuine landowners.

At the present time more than 275,000 citizens are owners of land parcels with an area of 36,000 hectares for the conduct of personal farms, individual housing construction, and collective gardening. Moreover, 800 peasant farms were granted more than 24,000 hectares of land.

However, in some places the establishment of independent peasant farms is being hindered. There is not one private farm in Altinskiy and Kaybitskiy Rayons. There are only one to three such farms in Muslyumovskiy, Tyulyachinskiy, and Cheremshanskiy Rayons. The formation of farms is going on under difficult conditions associated with the inadequate allocation of favorable credits for the creation of the necessary material-technical base.

More than 540 joint-stock companies, collective agricultural enterprises, and associations and cooperatives based on the collective-share ownership of land were formed in the process of reorganization of the agro-industrial complex. At the same time, individual kolkhozes and sovkhozes, instead of changing their form of farming, are limiting themselves to a name change.

With the adoption of the edict of the president of the Republic of Tatarstan "On Regulation of Land Relationships in the Republic of Tatarstan," new land and civil relationships are arising that require a revision of the entire complex of operations that are necessary for the registration and recording of land parcel ownership. In connection with the fact that land is becoming an object of civilian turnover, the question of registration of the right of ownership to land and the real estate associated with it becomes acute.

For a resolution of these and other questions issuing from the edict, and for the purpose of ensuring the formation of a regulated land market and the attraction of investments, it is necessary to introduce changes to the supplement to the law of the Republic of Tatarstan "On the Peasant (Farmer) Farm," to adopt a law "On the Personal Subsidiary Plot," and to reform the republic Land Code.

Discussion of the report was participated in by F. Mukhametshin, prime minister of the Republic of Tatarstan, First Deputy Prime Minister R. Muratov, Deputy Prime Ministers F. Gazizullin and F. Sibagatullin, V. Vasilyev, chairman of the Control Administration of the President of the Republic of Tatarstan, and the mayors of the cities of Kazan and

Naberezhnyye Chelny, K. Iskhakov and R. Altynbayev, respectively. It was proposed to increase the size of the personal subsidiary plot in the village up to the size of a land share, ownership of which will be granted free of charge. For the purpose of starting practicable reorganization of the forms of land ownership, it was recommended to establish one to two farms in each rayon and begin an experiment for consolidating land allotments as peasant farms with the issuance of certificates on the right of land ownership.

The council members supported A. Yefremov's proposal concerning the institution of a land bank in the Republic of Tatarstan and the necessity of providing a supply of land for city residents for individual housing construction.

Unfortunately, M. Shaymiyev noted, the very same mistakes are being repeated in individual housing construction as were at one time committed in the construction of dachas by city dwellers: The costs are enormous, but the return is low. The unfolding disorderly construction of cottages and houses is frequently conducted far from social-cultural facilities, without a home's amenities, communications, and, as a rule, on small parcels of land.

Also of no small importance is the question of the sale of land parcels that are used in agricultural production. Changes must not be allowed in the special designation and regime of use of this land without the approval of the Cabinet of Ministers. These and a number of other problems, M. Shaymiyev noted, require the introduction of needed changes and additions to land legislation, which should be done at the next session of the republic State Council.

S. Nafiyev, republic procurator, spoke on the next question on the agenda—"On Violating the Law in the Activity of Financial and Investment Companies in the Republic of Tatarstan." His report analyzed the activity of 26 financial and investment companies and their branches on the territory of the Republic of Tatarstan whose main types of activity are the sale of shares of stock of joint- stock companies and the utilization of monetary resources of citizens at interest.

According to available data, these companies collected 50 to 300 million rubles in the second half of 1994, and sent the main part of this money outside the boundaries of the republic. At the present time a critical situation has developed with the return of monetary resources to depositors in 10 investment funds, such as the Tatarstan-Moscow-2 Association, the Kazan branch of the Kholer- Invest Company, the individual private enterprises Ronika and Agrotekhinvest, a branch of the Russian House Selenga joint-stock company, the Kazan agency of the Tatar branch Zarya Povolzhya, the TOO [limited liability company] Progress, and the Kazan section of the IChP [individual private enterprise] Oliviya.

During an audit of the financial-economic activity of these companies by employees of law enforcement and tax organs, numerous violations of legislation in effect and the appropriation and squandering of substantial sums of money were revealed. Thousands of depositors had been cheated as a result. In this connection the republic Procuracy instituted criminal cases with respect to the directors of a number of companies, and they will be held to answer.

It was noted that violations of the law in the funds had become possible as a result of negligence on the part of a number of monitoring organs. During audits they paid attention only to the regularity of payment of taxes, overlooking basic violations such as unlicensed investment activity and ignoring the cash money circulation procedure and frequently outright theft. In this situation it is necessary, the procurator remarked, that the directors of the monitoring and law enforcement organs and courts have a clear program of coordination actions. The need has arisen to take under unremitting control the activity of all investment funds that accept money from the population.

In concluding the discussion of the question, M. Shaymiyev emphasized that the intolerable situation is unfolding in this sphere as a result of the imperfection of our legislation, which dishonest people exploit. In this connection he supported the proposal of the procurator of the republic concerning the development and adoption of a law on protection of investors, and also a system of urgent measures of criminal and civil legal sanctions for the protection of depositors. The law enforcement organs have been given the task of accomplishing the mandatory return of money deposits to their owners and establishing a stringent procedure for registration of financial and investment companies directed at the suppression and, mainly, prevention of negative trends in the financial and fund markets of the republic.

The question "On Certain Changes in the Structure of the Cabinet of Ministers and the Government of the Republic of Tatarstan" was also discussed at the Presidential Council meeting. Prime Minister of Tatarstan F. Mukhametshin presented a report on this subject. The speaker and members of the council who took part in the discussion—F. Gazizullin, Ye. Bogachev, R. Muratov, M. Khasanov, S. Nafiyev, R. Altynbayev, and Kh. Nizamov—noted that changes in the structure of the Cabinet of Ministers were dictated by life itself. The new structure of the government should preserve continuity of leadership and simultaneously respond to the increasing demands of the transition period for the development of society. It should be targeted on two basic tasks—protection of commodity producers and social protection of the population—by way of reinforcing a united system of executive authority and putting the state administration in order.

The Presidential Council recommended that consideration be given to the remarks and proposals made at the meeting and that the forthcoming session of the State Council examine this question.

Also examined at the meeting was the question of regulating wages at enterprises, institutions, and organizations of the republic, guaranteeing workers' wages depending on the results of their activity, and eliminating the intolerably high polarization of workers' incomes. The council recommended that the president promulgate a special edict on this question.

The question of deficiencies in the organization of work assignments abroad was also broached at the meeting. It was recommended that the Cabinet of Ministers streamline foreign trips by managers of ministries, departments, and large industrial enterprises and organizations.

Edict on Tatarstan Light Industry

954F2503A Kazan RESPUBLIKA TATARSTAN in Russian 8 Jun 95 p 1

[Edict of the president of the Republic of Tatarstan: "Certain Measures of State Support for Enterprises of Light Industry of the Republic of Tatarstan"]

[FBIS Translated Text] To create the requisite economic conditions for a resolution of the problems of the structural reorganization of light industry and secure a growth of production and the preservation of jobs I resolve:

1. To ensure state support aimed at the stabilization of the operation and the financial recuperation of enterprises of light industry under the conditions of the shortage of working assets and the lack of raw material resources, for which the Cabinet of Ministers of the Republic of Tatarstan shall:

conclude intergovernmental agreements on trade and economic cooperation with the members of the CIS and regions of the Russian Federation for the supply of cotton, flax, chemical fibers, thread, fabric, astrakhan, sheepskin, wool, and other materials for the production of commodities of light industry on a clearing and interconnected basis;

accelerate work on the consideration of business plans of the enterprises of light industry geared to the manufacture of competitive products and provide for the allocation of funds for their fulfillment.

2. For the creation of more favorable conditions for enterprises of light industry in the use of local raw material resources, to introduce an excise tax on leather, furs, and pelts in the amount of 10 percent of the release price when sold outside of the Republic of Tatarstan.

3. To lower the rate of profits tax in the amount paid to the treasury of the Republic of Tatarstan by 1 percentage point for each percent of growth in the sale of output in comparable prices compared with the corresponding period of the previous year.

4. To lower by 50 percent the rate of tax paid to the treasury of the Republic of Tatarstan on profit obtained from the production of children's commodities sold on the territory of the Republic of Tatarstan.

5. To establish in 1995 for enterprises of light industry of the republic a rate of estate tax of the order of 0.5 percent.

6. That the State Tax Inspectorate for the Republic of Tatarstan and the Ministry of Finance of the Republic of Tatarstan shall draw up the procedure of application of this edict.

7. That this edict shall take effect the day of publication.

[Signed] M. Shaymiyev, president of the Republic of Tatarstan

The Kremlin, Kazan, 7 June 1995.

Tatarstan Deputy Views Draft Laws on Regions

954F2503B Kazan RESPUBLIKA TATARSTAN in Russian 8 Jun 95 p 2

["Own information" report on news conference given by O. Morozov, deputy from the Republic of Tatarstan and cochairman of the Regions of Russia all-Russia public association, at the State Duma of the Russian Federation; date not given: "What Kind of Russia Is It To Be?"]

[FBIS Translated Text] A news conference given by O. Morozov, deputy from the Republic of Tatarstan and cochairman of the Regions of Russia all-Russia public association, has been held in the State Duma of the Russian Federation.

He called journalists' attention to the problem of the delimitation of terms of reference and authority between organs of state power of the federal level and organs of state power of the components of the Russian Federation.

A very heated argument is being conducted today around the paths of the development of the Russian state and, particularly, around the strategy of Russian federalism, O. Morozov observed. Two polar viewpoints have been ascertained: One presupposes a revision of the present federal arrangement of Russia and the elimination of the division of components of the Federation into national-state and administrative-territorial formations, which is, as a result, to lead to the provincization of Russia. The second proceeds from the idea of an extension of federalism, a diversity of forms of statehood of the components of the Federation, and the maximum extension of independence with their unconditional equality of opportunity and of relations with the "center" and among themselves.

Oleg Morozov emphasized that in the latter case we are talking about the constitutional equality of rights, for objectively the components of the Federation are not, of course, equal—they have varying economic potential and different natural and geographic conditions, and in this sense our federation is by definition asymmetrical. This asymmetry could be compensated to some extent by consideration of particular features of each region and a reflection of these particular features in the corresponding treaties and agreements with the "center" on a delimitation of terms of reference and authority.

At the present time the State Duma is discussing two alternative bills devoted to the problem of the delimitation of terms of reference and authority between the federal organs of state power and the organs of power of components of the Federation submitted by V. Mikhaylov, deputy of the State Duma, and the president of the Russian Federation respectively. These two bills demonstrate the fundamentally different visions of this problem.

V. Mikhaylov's bill is essentially constructed such that it prohibits the components of the Federation that signed the Federal Treaty from entering into treaty relations with federal organs of state power. In O. Morozov's opinion, such an approach is illegitimate.

This bill prescribes that treaties concluded previously be confirmed by federal laws, which in practice makes the concerted will of the parties that signed the treaty wholly dependent on the opinion of deputies of the Federal Assembly of the Russian Federation. In addition, under the conditions of normal treaty practice and the current procedure of the passage of federal laws this would lead to the members of parliament simply being unable to "ratify" the corresponding treaties within the agreed timeframe. And the very mechanism of "ratification" alters the status of these treaties, what is more, making them analogous to interstate treaties.

In accordance with V. Mikhaylov's bill, the signed treaties are not to be provisionally executed prior to their confirmation by federal law. This would bring to a halt all current treaties and agreements and could have extremely undesirable repercussions in relations between the "center" and individual components of the Federation.

Finally, this bill specifies a ban on the law-making of components of the Federation on matters of joint jurisdiction prior to the adoption of the corresponding federal laws, which, in O. Morozov's opinion, would lead to legal paralysis in the regions.

Essentially, the deputy declared, it is a question of banning via this law new treaties and jeopardizing those that have already been signed.

Whether some people like the practice of treaty relations or not, it is specified by the Constitution of the Russian Federation. In addition, there is no getting by without it in real life, O. Morozov emphasized. The approach proposed by Deputy Mikhaylov, therefore, would, were it to be supported, simply detonate the Federation.

And all political predilections should be set aside here. The Chechen crisis has shown that had the so-called Tatarstan model been employed in Chechnya, the bloodshed could have been avoided.

O. Morozov announced that on his initiative, supported by the New Regional Policy group of deputies and the State Committee of the Duma for the Federation and Regional Policy, parliamentary hearings devoted to this problem would be held in the State Duma with the participation of representatives of the components of the Federation.

The president's bill, despite all its individual shortcomings, would seem entirely constitutional and works toward an extension of the principles of federalism, and our group of deputies will support it, the deputy from the Republic of Tatarstan stated in conclusion.

Tatarstan, Bulgaria Sign Trade Agreement

LD1306103295 Moscow ITAR-TASS World Service in Russian 0834 GMT 13 Jun 95

[By ITAR-TASS correspondent Nikolay Sorokin]

[FBIS Translated Text] Kazan, 13 Jun (ITAR-TASS) — Tatarstan intends to raise its economy through its own efforts and with the aid of foreign investors. This was how Tatar Prime Minister Farid Mukhametshin assessed the intergovernmental agreement just signed between

Bulgaria and Tatarstan. He was speaking to the ITAR-TASS correspondent.

Despite the collapse of Comecon, Tatarstan's foreign trade turnover with Bulgaria was more than $20 million last year or five percent of the country's total goods turnover with foreign countries. Bilateral commercial and economic ties will now be strengthened considerably as a result of the signing of the agreement. Tatarstan will increase its deliveries of Kamaz trucks, petroleum products, rubber, watches, and fertilizers. In return, Bulgaria will deliver fresh and canned fruit and vegetables, furniture, cosmetics, tobacco, and medicines. A trade route will be created along the Volga, the Black Sea, and the Danube to carry tankers and dry cargoes. There are plans to open joint ventures in Kazan to produce cigarettes, to repair Bulgarian fork-lift trucks, and to bottle wine.

Voronezh Oblast Political Conflicts Viewed

MM1306083395 Moscow ROSSIYSKIYE VESTI in Russian 9 Jun 95 p 3

[Report by German Poltayev reprinted from VORONEZHSKIY KURYER: "Two Powers — One Blanket"]

[FBIS Translated Text] Antagonism between the executive and representative branches has become a chronic phenomenon. That is not as noticeable in the capital as in the provinces. Mutual relations between Aleksandr Kovalev, head of the Voronezh Oblast Administration, and the oblast Duma leave room for improvement. The sides often express the readiness to reach compromise but there is a "clash" once every two or three months. The pretext for the latest clash was the publication of an article written by the governor in which he voiced doubts as to the compliance of some laws adopted by oblast Duma deputies with the federal normative acts and the Constitution.

It is no secret that any Russian governor has a dual position with regard to what is subordinate to him and under his control. On the one hand he is hemmed in by local laws, on the other by federal laws and by the president's edicts and government decrees. The head of the local executive branch does not like to twist like an eel in the frying pan but he must. And so the Voronezh governor made his statement.

A considerable proportion of deputies accustomed to declaiming at city meetings are roundly cursing the executive branch and its head, accusing them of impoverishing the people's masses and being reluctant to rectify the situation. This division of power into bad and good is not very clear to the governor. "We are two branches of the same power," he said, "and together we are responsible for what happens only you bear collective responsibility while I bear individual responsibility." But if you proceed from the logic of meetings only the executive power can save the situation."

As for the legal aspect of the matter here it is essential to cite also the viewpoint of Oblast Duma Chairman Ivan Shabanov: Why must we wait for federal laws, especially as the State Duma is not always in a hurry to adopt them? Voronezh Oblast is a component of the Federation and other components already have their own constitutions, statutes, and laws.

Ultimately the Duma resolved to ask the oblast prosecutor's office to provide a conclusion complying with the Constitution and the laws on the administration head's statements. Now the prosecutor's office has also found itself in an awkward position. Why? I was told by Valeriy Kartashov, chief of the administration state law department, that "commenting on any statement is not a function of the prosecutor's office."

The conclusion is simple. Until there is a a precise system of federal legal acts excluding dual interpretation, the conflict between the local authorities (each of which is seeking to pull the blanket over to its own side) will continue.

Economic Issues

Supporting Dollar Said Advisable, Noninflationary

MM1206153695 Moscow ROSSIYSKAYA GAZETA Weekend Edition in Russian 10 Jun 95 p 7

[Commentary by Aleksandr Velichenkov under the "Our Expert Analysis" rubric: "The Return of the Prodigal Dollar: What Lies Behind the Strengthening of the Ruble and the Growth in Its Exchange Rate?"]

[FBIS Translated Text] The optimists unanimously maintain that the growing strength of the ruble is determined by the successes of the policy of stabilization. More cautious experts maintain that in the absence of increasing output the strengthening of the ruble can be explained only by short-term, speculative factors. But the cause of these must also be found.

The first and obvious thing to say here is that hundreds of millions of dollars are sold daily by the clients of commercial banks. Moreover, only 15-20 percent of the total turnover of currency is sold at the Moscow Currency Exchange [MCE]. If you bear in mind that the Central Bank of Russia [CBR] bought approximately $1.5 billion on the MCE in the April-May period, the total sales of currency during those months may be put at $6-8 billion. However, this sum is very close to Russian banks' total hard currency assets.

What kind of supernatural event occurred in our economy in the last two months, then, that commercial structures should have begun to sell off hard currency reserves, converting them into ruble accounts? And where did the commercial structures obtain such a large amount of hard currency? After all, if such practice continues, the volume of sales of hard currency in June will exceed all Russian banks' hard currency assets.

It will be necessary here to recall something from our recent history. Money fled from Russia in both 1991 and 1994. It did so for various reasons: the risk of inflation, political instability, and better (it seemed at the time) investment conditions abroad. This process gathered particular momentum in summer-fall 1994. The phenomenon coincided in surprising fashion with the upsurge in nonpayments in the national economy during that period.

Essentially, enterprises paid the sums obtained through nonpayment into accounts other than current accounts, and these sums were then converted and disappeared into foreign banks. Last year's upsurge of "paid-off nonpayments," after a two-year lull, could mean only one thing — business had begun making real preparation for post-voucher privatization. But for various, basically objective reasons privatization was delayed, and the resources — in the form of hard currency — took refuge in foreign banks, basically benefiting from favorable tax regimes. The culmination of this phenomenon was observable at the MCE on Black Tuesday, 11 October 1994.

Why were those resources not invested inside Russia at the time? There are two reasons, as I see it. On the one hand, for their real owners it was pretty important to "launder" [opolosnut] these resources through international finances to give them a more respectable image. On the other hand, the owners of these resources are not much interested in portfolio investments or the investment projects of various enterprises, as they provide no real levers for managing the enterprises. The resources are brought together in powerful financial holdings, and their owners become real strategic investors bent on gaining control over enterprises or, at least, real representation on the board of directors. The owners of these "financial holdings" are in no way attracted by the lot of Russian check investors who have scattered their investments and can in no way expect return from their shares.

According to official, including international, figures, around R18 billion has left Russia. According to generally accepted estimates based on indirect indicators, this sum actually amounts to $100 to $120 billion.

These resources start working once they return to Russia, since restructuring, modernization, and so forth follow on the purchase of shares. This means taxes, jobs, the development of domestic production, and other favorable features. If the State Committee for the Management of State Property structures its privatization policy sensibly and successfully, then the "cascade of dollars" could continue to fall on Russia still longer.

However, the more expensive the ruble is, the more expensive our exports are, which will slump. Yet when we have sold off the state's allotment of shares the country will have to live by its exports, whereas the rising ruble exchange rate is stifling them, encouraging imports because of cheap dollars and domestic price inflation, which is continuing despite the falling dollar.

What, then, is to be done in this situation if the pressure of the dollar continues? We could abandon everything to the dictates of the market, which would cause the collapse of the dollar, with the result that we would run into a negative trade balance. It is also possible to support the rate of the dollar if the Central Bank takes this up, thereby preventing our exports being suppressed. Where are the resources for this to come from? It seems very unlikely we could manage to do this without allocating budget funds. The Central Bank's top leadership sees a risk of inflation in this move, as the money supply would grow. From the formal standpoint, they are right, but in actual fact things are not that way.

The Russian dollars abroad have actively helped domestic turnover — goods circulate here while the money remains over there. By purchasing these dollars out of budget-allocated funds at a price that is acceptable rather than artificially low for the sellers, we will obtain a situation whereby both the goods and the money are here. That means not just real dedollarization but also real taxes. The Central Bank's misgivings are also difficult to understand because the pressure of the dollar will clearly produce a growth in production (dollars will not rush here to make losses), and this growth must be helped by printing real money, which also comes out of the budget.

It is not possible to finance this increasing turnover through nonpayments in Russia or dollars abroad on a "West-West" basis. What ultimately does the Central Bank fear if a supply of dollars builds up in its accounts, which could be used at any moment to support the rate of the ruble, moreover, certainly at a rate more favorable to the Central Bank?

The dollar has produced inflation in Russia, which has squeezed the ruble out of circulation. The monetarists in various governments act in copybook fashion, but in life everything is contrary: Fewer and fewer goods are being sold for rubles while more and more are being sold for dollars — hence you get inflation. If we now find ourselves in a completely opposite situation whereby the ruble could actually squeeze out the dollar, it would be a mistake not to exploit it because of bogus monetarist ideas.

The monetarists' logic is built on the basis of a closed "goods supply-money supply" model that is not subject to any foreign influences, whereas such influences (and very appreciable ones) do really exist. According to IMF figures, the real rate of exchange of the ruble (that is to say, its purchasing power, which is not to be confused with the nominal rate of exchange at which conversion took place) tripled in the second half of 1993. The dollar stood still, prices in rubles went up by factor of three or four. The rampant dollarization of Russia during this period also demonstrated the futility of the monetarists' efforts.

Is there any point in relying on their dogmas now when they have been refuted by Russian practice and foreign theory?

Commonsense suggests that it is essential to support our exporters by means of a "valuable" dollar. If the allocation of budget funds is required for this, it should not be feared: It will not become an inflationary factor, but will only be of benefit to the economy.

Moscow Currency Dealing Seminar Scheduled

954E1052A Moscow EKONOMIKA I ZHIZN in Russian May 95 No 20, p 7

[Article by D. Piskunov, head dealer of the Russian Credit commercial bank: "Foreign Currency Dealing: A New Speculative Instrument"]

[FBIS Translated Text] What is foreign currency dealing? Which types of financial operations in foreign exchange have the best yield? How does one work with foreign exchange futures and options, and make arbitrage and speculative deals in the domestic and international financial markets? These and other questions that emerge in the practice of operations of commercial banks and financial companies will be discussed within the program of the theoretical-practical seminar "Organizing Foreign Currency Dealing," which will be conducted by the specialists of the Moscow Interbank Currency Exchange [MMVB], the Russian Credit bank, and the International Financial Company in Moscow on 14-17 June.

Russian commercial banks that were issued Central Bank of the Russian Federation licenses to conduct foreign exchange operations over the period 1992-1993 organized foreign exchange dealing services for the purpose of regulating the banks' current liquidity. Current dealing in the classical sense of the word involves two types of short-term operations:

a) deposit operations for the purpose of regulating a current foreign currency correspondent account: If there is not enough money to clear payments, banks attract short-term foreign currency deposits; if a relative permanent surplus forms, it can be placed in the interbank market;

b) foreign exchange conversion operations ("forex"—from the English "foreign exchange")—banks convert funds from one foreign currency into another on the client's instructions, as well as speculate on the fluctuations of foreign currency exchange rates in order to earn arbitrage gains.

The excursion into the history of the establishment and development of foreign exchange dealing operations of Russian banks goes back to the beginning of the 1990's. At that time, before the disintegration of the Soviet Union, only four banks conducted dealing operations on external markets: the USSR Vneshekonombank [Bank for Foreign Economic Relations], the International Bank for Economic Cooperation (MVES), the International Investment Bank (MIB), and the International Moscow Bank (MMB), newly created jointly with Western banks. Since domestic foreign exchange regulations assumed centralization of foreign currency and ruble funds, as well as a fixed rate of the ruble in relation to the dollar, these banks engaged in foreign exchange and percentage-based arbitrage on international markets.

As independent commercial banks with Central Bank of Russia general licenses developed and grew stronger, the need arose to find a use for untied foreign currency remainders; banks began to place them not only in risky commercial loans but also in interbank deposits in foreign banks. Although their yield was insignificant compared to loans to clients, these operations were practically risk-free because deposits were placed with first-rate foreign banks. At the same time, banks began to carry out conversion between foreign currencies for the purpose of making payments for their clients. Special departments were set up for these purposes, which later grew into full-scale dealing services.

In 1992 dealing services were set up in such major banks as the Vneshtorgbank, Mosbusinessbank, Inkombank, Tokobank, the International Financial Company, and the Imperial; in 1993—Russian Credit, Mezhkombank, and Avtobank. They conducted operations in placing deposits in foreign banks, carried out foreign exchange arbitrage in heavy currencies and, one may say, were oriented towards the foreign market.

For clients, conversion operations of the dollar/ruble kind were carried out mainly through the Moscow Interbank Currency Exchange (MMVB), and only occasionally did banks meet their own needs in buying or selling foreign exchange by dealing with each other—an interbank market was developing. Its characteristic features were the absence of a quotation spread (that is, the sides agreed on a deal only when one bank needed to buy foreign currency and another needed to sell it), and low liquidity. Also, banks did not actively issue loans to each other: Because of the absence of limits and credit history, large banks placed funds in short-term deposits only in equal-size banks, avoiding giving money to medium-size and small banks.

The year 1994 became a turning point in the development of dealing operations in Russian banks—an interbank market of noncash conversion operations between the dollar and the ruble emerged. Large banks began to apply a quotation spread of the dollar/ruble rate among themselves, assuming an obligation to enter a deal. An increasingly greater volume of client sales of dollars was directed to the interbank market, whose rate, as a rule, was higher than that of the MMVB. In addition, the Moscow authorities introduced a municipal tax on banks' exchange operations, which intensified the outflow of funds to the interbank market.

The development of foreign exchange dollar/ruble dealing in large banks was carried out in most cases by dealers who had experience working in international markets. They brought their experience, dealer ethics, and contract techniques into conformance with world standards. The Reiter [as transliterated] Company's dealing equipment, widely used by international banks, became very popular. Instances of reneging on a deal were severely frowned upon in the small circle of the dealer community. The principle of mirror services was operational in dealing relations between large banks and newcomers: "If I give you a price spread, you have to give one to me too; if my margin between the buying and selling rate amounts to 3 rubles [R], your price cannot have a larger spread." The result was a fast growing liquidity of the market—by the end of 1994 about 30 banks had actively priced the interbank rate of the dollar to the ruble. After the middle of 1994 and by the spring of 1995, the average size of a deal had increased from $1 million to $3 million, while the daily turnover on the interbank market exceeded $2 million.

The high yield of interbank dollar/ruble operations on the cusp of 1994-1995 attracted a large number of medium-size and small banks into this segment of the market—they installed Reiter Company equipment and plunged into dealing operations. The number of foreign exchange dealers increased; however, their skills were quite low. Large banks' dealers had the opportunity to train as interns abroad; more modest banks sent dealers on training courses in Moscow business schools and business centers. However, there is still a shortage of training and reference materials on dealing in Russia. (The author of this article lectured in Moscow business schools and has put together a practical learning aid for new dealers called "The Theory and Practice of Foreign Exchange Dealing," to be published soon.) The next item on the agenda is creating a Russian association of foreign exchange dealers and getting it accepted into the international Forex-Club.

Shifting the emphasis to dollar/ruble operations in the domestic foreign exchange market resulted in reduced bank activities in the area of arbitrage operations with hard currencies. In fact, if one point of profit in the dollar-ruble market equaled R1 million for a $1 million position (that is, about $300 at the beginning of 1995), one point of profit in the dollar-German mark [DM] market for the same position of $1 million was considerably lower—DM100 (that is, about $65, which is almost five times less). In addition to considerations of yield, the risk factor played a rather important role—being the market-makers with respect to the national currency's exchange rate, Russian banks felt more confident in this area than in high-risk international markets with fast changing rates.

As large banks established limits on small ones, loans to the latter in the form of short-term foreign currency deposits increased.

What are the future prospects of Russian commercial banks' dealing services? As reforms progress and the economy improves, the ruble will begin to turn into a convertible currency; the scope of the market will increase—banks' dealing departments will become large-scale services, with dozens of dealers quoting the ruble's exchange for Russian and international banks. As financial markets stabilize, superprofits earned on the dollar/ruble market will disappear and banks' attention will begin once again to shift toward dealing in international markets. The year 1995 also will be characterized by the banks shifting to dealing in securities and complex products (forward and option deals). Increasingly more banks will begin to shift the emphasis from arbitrage operations to serving clients in regard to attracting their funds, as well as making available to them the opportunity to engage in arbitrage operations.

Options for Sberbank Privatization Aired

MM1206132295 Moscow IZVESTIYA in Russian 9 Jun 95 p 2

[Report by Ivan Zhagel: "Authorities Scared of Sberbank Depositors, Plan To Postpone Privatization"]

[FBIS Translated Text] Just a month ago the leadership of the Central Bank, the State Committee for the Management of State Property [GKI], and parliamentarians had promised to rapidly privatize the Russian Federation Bank for Labor Savings and Credit to the Population [Sberbank] — more precisely, to sell the more than 50 percent of its shares currently held by the Central Bank. But all branches of power are now no less harmoniously looking for opportunities to postpone this procedure to a later date.

Actually, there are plenty of reasons for this abrupt turnaround, but one of the main ones — insofar as we can ascertain from the relatively incomprehensible explanations offered by officials — is the incipient outflow of deposits from the Sberbank, many of whose clients are worried about the unfavorable consequences for themselves. Of course, such lurches from one side to the other do not look very nice, so by tradition we have started looking for extreme solutions — as evidenced by the journalists who have allegedly been making an unnecessary and harmful fuss about the Sberbank (that, for instance, is what the well-known Duma figure A. Pochinok believes).

However, the State Duma deputies quite recently adopted the law "On the Russian Federation Central Bank," which states that the Central Bank is prohibited from taking shares in the capital structures of lending institutions and that it should sell the other bank shares it owns this year. From this we can conclude that the privatization of the Sberbank and the Foreign Trade Bank of Russia [Vneshtorgbank] should take place this year.

No, it is not a case of journalists putting a wrench in the works, but of the deputies themselves making a blunder which they are now having to rectify.

What is planned for the Sberbank now? There are several options. The working group that clarified the amendments to the banking legislation believes that we should merely extend the timetable for the sale of Central Bank shareholdings — to the year 2000, say — which would make it possible to prepare properly for Sberbank privatization. For its part, the Finance Ministry is campaigning for the Sberbank, the Vneshtorgbank, and the Bank for Foreign Economic Activity to be given special status and for their operations to be regulated by special laws. Finally, GKI representatives advocate that the Sberbank be allowed to issue extra shares, which would automatically dilute the state's holding.

This last option seems the most dangerous, since the sale of additional shares could lead to the state losing control over the Sberbank.

Oleg Yashin, president of the Russian Federation Sberbank, categorically opposes the idea of special status for the banks or the regulation of their operations by special laws, since in that event the bank could yet again fall under the strict control of the government, which in years past used to siphon off money indiscriminately.

Those are dangers that are undoubtedly visible to many people. Consequently, the sale of the shares held by the Central Bank, as required by the law "On the Russian Federation Central Bank," will be postponed. At any rate, it is easier to amend an existing law than to draw up a slew of new normative acts.

Chubays Chairs Conference on Coal Industry Finances

MM1206181395 Moscow RABOCHAYA TRIBUNA in Russian 9 Jun 95 p 4

[Article by Viktor Ukolov: "Debtor — Does That Sound Proud?"]

[FBIS Translated Text] Anatoliy Chubays, first deputy chairman of the Russian Government, has held a conference where the process of the implementation of a government decision on questions of the coal industry during January-May of this year was examined. Let us recall that it boiled down to paying off the federal budget debt to the miners. Their mass protests at the beginning of the year, which were brought about by a lack of money and were coordinated with the the Russian coal industry trade union committee, and the one-day Russia-wide warning strike — all this forced the authorities to approach the question of finding a solution to the sector's problems seriously. That is the assessment that is being made in the Russian Trade Union Committee, whose leaders participated in the conference.

At the same time, there is no reason to be reassured. Whereas money for the support of the sector is coming in more or less on time from the federal budget in accordance with the Ministry of Finance schedule, the consumers of the output are not paying under any circumstances! At the beginning of the year, they accounted for a "small debt" — 2 trillion rubles [R], and today the figure is already R2.6 trillion.

The main debtor is the Russian joint stock company "YeES Rossii." Even the money that is allocated from the treasury for the purchase of fuel does not reach the mines. It is spent on other needs.

Miners in Tula and Chelyabinsk Oblasts are suffering most of all today: The delay in the payment of their wages is 2-2.5 months.

What should the coal-miners do? Their conscience will not let them stop dispatching fuel, close down the industrial enterprises, and deprive the population of basic services. They are filing suits at courts of arbitration, and these are being deemed justified there, and decisions are being made that the demands be met.... What will happen next? Things are right back where they started. You cannot take the electricians' turbines away from them to pay for the debts, the trade union committee is saying.

At the conference, A. Chubays gave instructions that government commissions be sent to Tula and Chelyabinsk Oblasts with the aim of investigating where the treasury money is disappearing and finding a way to settle accounts for the coal that has been dispatched. The situation is causing perplexity: The miners and power industry workers find themselves within the framework of one ministry, so why does the disorder in their mutual relations have to be resolved in the upper echelons of power?

The trade unions know from experience that where wages have been delayed for more than two months, you can expect an explosion of social tension. You can perceive that the authorities do not need this today, and neither do the economic managers or trade unions nor, ultimately, the workers.

In the coal industry, an intelligent attitude toward reforms and the desire for a peaceful settlement to the conflicts that have been arising have made it possible to prevent the destruction of the sector. A total of 88.3 million tonnes of fuel, or 90.5 percent of the level of the corresponding period last year has been mined and sold since the beginning of the year. Yes, the volume has been reduced to some extent, but this is due to a decrease in demand and the general crisis in the economy.

The restructuring of the entire complicated administration of the "Rosugol" company has begun. The mines without a future, where work is particularly dangerous, are being prepared for closure. The Russian coal industry trade union committee is stating firmly that this inevitable process is possible on one condition: firm social guarantees to the miners — the provision of work and housing for them. This has already been spoken about in the government, too.

Concern Persists for Coal Industry's Future

MM1306101795 Moscow RABOCHAYA TRIBUNA in Russian 9 Jun 95 p 4

[Commentary by Vladimir Kokorin under the "Economic Observer's Notes" rubric: "April Leap — From the Past Into the Future?"]

[FBIS Translated Text] The Russian Ministry of Finance transferred 1.8 trillion rubles [R] to the "Rosugol" company between 1 January and 30 April this year. Meanwhile the commodity output of the coal industry was worth R6.9 trillion. Subsidies are covering only one-fourth of the necessary expenditure.

The state funds are clearly insufficient, particularly if you take into account the conditions in which Russian miners have to work. In European countries these conditions are incomparably better, and far more support is provided.

In our country, conversely, too little is done to maintain the coal industry, which has colossal reserves and, consequently a high extraction potential. The pretext that coal is not competitive is unsound and would only make sense at all if the demand for coal were determined by the expenditure on its extraction. However, the demand depends on the amount of money in coal consumers' accounts, and they are poor as a rule. The effective demand is consequently artificially lowered because of the general economic crisis.

The leap in April in supplies of coking coal, for example (17.4 percent) and coal concentrate (29.7 percent), as compared with last year makes you realize that this really is the case. As soon as the metallurgy sector livened up, right away more coking coal was required. The same would happen with supplies of fuel coal if Russian industry revived in general. Unfortunately, at the moment the reverse is happening. The overall fall may have decreased in comparison with last year, but it still remains significant in absolute terms. The figure is 9.5 percent for January-April of this year as compared with January-April of last year. The most important factor in the fall is the high consumer debt, which totaled around R2.7 trillion as of 1 May. The power industry debt is particularly great at R1.2 trillion.

The "Rosugol" company is doing all it can, first of all, to minimize the decrease in coal extraction and, second, to raise efficiency to the maximum degree. It must be said right out that some achievements have been made. Open-cut coal mining is increasing. The stope loading has gone up by 10.4 percent despite the fact that the total number of faces has decreased by 16.3 percent. A total of 20 percent more cutting machines were distributed in January-April of this year than in the corresponding period last year.

The shortage of funds makes it impossible to create the right conditions for efficient work in the sector in the future. The volume of stripping in January-April was 25.5 million cubic meters (9.6 percent) lower than in the corresponding period in 1994. The reduction in the volume of excavation work has recently overtaken the reduction in actual coal mining. The volume of capital investments in "Rosugol" in January-April was only 64 percent of that of the corresponding period last year. Only 10 percent of the starting program for construction-assembly work for 1995 was carried out in January-April.

All this put together is giving rise to concern for the future of the coal industry. Admittedly there is a hope that it will prove possible to overcome the general economic crisis before the sector's cadre and production potential is destroyed.

Oil Industrialists Seek Change in Tax Policies

MM1206132895 Moscow IZVESTIYA in Russian 9 Jun 95 p 2

[Report by Sergey Leskov: "Oil Generals Decide To Dabble in Politics, Since Sector Is on Brink of Crisis"]

[FBIS Translated Text] The congress of the Union of Oil Industrialists has been held in Moscow. It adopted a number of curious decisions and publicized the results of the activities of the sector, which is decisive for the entire Russian economy.

The Union of Oil Industrialists covers more than 140 companies, and the decision was made on the eve of the congress to admit a new major member — "Gazprom." In the oil generals' opinion, the sector's problems cannot be resolved unless they get actively involved in politics. The sector's interests are best reflected by the "Russia Is Our Home" movement, which it was decided to support in the elections.

The political choice of this, our most thriving sector, will undoubtedly have an impact on the course of the electoral battles. The speeches made at the congress, though, allow us to assume that the political predilections were dictated to a considerable extent by the traditional discipline shown by the leaders of semi-state oil enterprises. After all, it was clear from the discussions that the people behind the centrist bloc were responsible for the catastrophic situation in the oil complex. Its support, judging by everything, will be provided in the hope of receiving state protection, which is the only way to maintain shrinking markets and ensure the reliable transit of petroleum products.

According to Vladimir Medvedev, president of the Union of Oil Industrialists, one-third of the wells were idle in late 1994, and only 14 percent of the sector's technical means met world standards. Some 80 percent of fixed capital at refineries is worn out, and capacity utilization is 55 percent. The forecast prospects for the oil and gas complex, which currently provides half of the treasury's hard-currency revenue, are not reassuring — if the situation does not change, the gas industry will soon face the need to end gas exports, and the oil industry will have to cut production still further.

Moreover, the further cranking up of prices is leading to mass bankruptcies, the carving up of property, and a new spiral of instability throughout the economy. Around 200 teams have already been disbanded. Nonpayments to the oil industry have reached 8.5 trillion rubles [R], with the figure for the gas industry being R16 trillion.

The oil generals' suggestions for the government boil down to calling for a change of tax policy. Currently 60 percent of oil producers' revenue goes on tax, and the figure is 75 percent for refineries. Certain imposts — such as the excess labor-remuneration tax, for instance — run fundamentally counter to the market economy, the enterprise directors believe. The tax burden is depriving the sector of what is most important — the ability to develop — and is scaring investors off. As a result, a "record" indicator was achieved in 1994 — three times more production capacity was decommissioned than was commissioned.

Incidentally, there are plenty of contradictions within the oil and gas complex. The Union of Oil Industrialists itself, as was clear from the delegates present, is based on the Nizhnevartovsk and Yugansk enterprises, which by no means inspires all the leaders of the oil sector with confidence.

International Affairs

Ukraine Will Not Attend G-7 Summit in Halifax

LD1206165595 Kiev UNIAN in Ukrainian 1430 GMT 12 Jun 95

[FBIS Translated Text] Kiev — Ukraine will not take part in the G-7 summit in Halifax that is being held toward the end of this week, Ukraine's Foreign Minister Hennadiy Udovenko said at a news conference on 12 June.

He said that Ukraine has actively raised the issue of its participation at the meeting of heads of states and governments of G-7 countries, however, the minister noted that "Ukraine's request has not been registered at Halifax."

According to him, Ukraine's invitation to this forum will have set a precedent for non-G-7 countries to attend the forum. Udovenko stressed that Ukraine is interested in seeing Leonid Kuchma personally address the G-7 leadership about "the precedents that Ukraine has created: Acceding to the Nuclear Nonproliferation Treaty, introducing radical economic reforms, and closing the Chernobyl nuclear power station."

Foreign Minister: Yeltsin To Visit in July

LD1206153595 Kiev UNIAN in Ukrainian 1415 GMT 12 Jun 95

[FBIS Translated Text] Kiev — The dates for President Boris Yeltsin's visit to Ukraine are being agreed but is expected to be in July, Ukraine's Foreign Minister Hennadiy Udovenko told journalists today.

According to him, the agreement signed by the presidents of Ukraine and Russia on the Black Sea Fleet removes the tension in Ukrainian-Russian relations and paves the way for Boris Yeltsin to visit Ukraine.

A treaty, which has already been initialled, on friendship, partnership, and cooperation between Ukraine and the Russian Federation will be signed during the visit.

Foreign Minister Cited on Black Sea Fleet Talks

LD1306104595 Kiev Ukrayinske Radio First Program Network in Ukrainian 0400 GMT 13 Jun 95

[FBIS Translated Text] Ukraine's Foreign Minister Hennadiy Udovenko held a briefing yesterday on the results of the recent Ukrainian-Russian talks on the Black Sea Fleet. Our correspondent [name indistinct] reports:

[Correspondent] Summing up the talks, Hennadiy Udovenko said:

[Begin Udovenko recording] With regard to the main base of the Russian Black Sea Fleet, the base is to be located in the city of Sevastopol. Many people who were not directly involved in the talks may not know that this was the main problem during these and the previous talks. The Russian side insisted on naming Sevastopol as the main base of the Black Sea Fleet. This wording would give us many problems in the future, particularly as regards the use of local facilities by the Russian Black Sea Fleet in Sevastopol and other places. [end recording]

On this issue, the Ukrainian side stood its ground and refused to make concessions to Russia.

[Begin Udovenko recording] It is the Ukrainian state's sovereign right to decide where and how the Black Sea Fleet will be deployed. To illustrate this point, I can tell you that the Russian side proposed a very detailed protocol [words indistinct] on the Black Sea Fleet. You understand, of course, that the Black Sea Fleet is a huge naval formation deployed along the Black Sea coastline from Izmail to Novorossiysk, and one could say even that the Kiev Naval College has direct links with the Black Sea Fleet. So one can understand why the Russian side wanted to put it down in the treaty as [word indistinct] the naval forces in Crimea. Although we [words indistinct], we succeeded in reaching an agreement with the Russian side to the effect that this is to be an issue for our state to decide. [end recording]

What does the foreign minister see as the most important aspect of the Sochi agreements?

[Begin Udovenko recording] The sides will continue negotiations on the Black Sea Fleet, specifically its legal status and the terms of the Russian Black Sea Fleet's deployment in the territory of Ukraine, the procedure for settling mutual expenses incurred during the settlement of the Black Sea Fleet issue, and other problems. It was decided to set up a joint Ukrainian-Russian commission which will include members of the state delegations from Ukraine and the Russian Federation to continue negotiations on the Black Sea Fleet. [end recording]

Russia Accused of Blackmail Over Black Sea Fleet

LD1206193595 Kiev UNIAR in Ukrainian 1820 GMT 12 Jun 95

[FBIS Translated Text] Kiev — "The signing of the agreement between Ukraine and Russia on the division of the Black Sea Fleet and its deployment have become the pretext for a neighboring state to blackmail Ukraine. The knot of contradictions was tightened by the former senior leadership of Ukraine," says the statement from the Ukrainian People's Movement [Rukh].

"A consequence of this is the humiliating and unequal agreement in Yalta and Dogomys. The previous Supreme Council did not demand adjustments in the agreement, as a result of which the present Ukrainian leadership ended up in a hopeless situation.

"To a certain extent one positive aspect of the agreement is the fact that Sevastopol has not been completely transferred to a foreign country. In addition, it has paved the way for an agreement to be signed on friendship, cooperation, and partnership between Ukraine and Russia that should become the legal basis for interstate relations, which at present remain unregulated.

"At the same time, the document on the Black Sea Fleet signed by both presidents requires serious clarification and adjustment. There should be clarification on the separate deployment of the Russian fleet and the Ukrainian navy, as well as a clear definition of where the Ukrainian navy may be based in Sevastopol and of the conditions and duration for leasing the naval base to Russia in compliance with the principles of international law and existing international practice. The status of foreign troops on Ukrainian territory and the civil status of Russian servicemen and their families must be defined.

"We demand that the Ukrainian Supreme Council immediately consider the issue of ratification of Black Sea Fleet agreement to make the necessary adjustments in keeping with Ukraine's state interests."

This was a report from Rukh-press.

Supreme Council Official: Russia To Pay for Base

LD1206130395 Kiev UNIAN in Ukrainian
1130 GMT 12 Jun 95

[FBIS Translated Text] Kiev — "The Ukrainian Supreme Council should ratify the Black Sea Fleet agreement between the Russian Federation and Ukraine, but so far our information on the Sochi accords has come from the media rather than from official documents," said Volodymyr Mukhin, chairman of the Supreme Council Commission for Defense and State Security, speaking to journalists today.

He said that President Leonid Kuchma and Prime Minister Yevheny Marchuk briefed the commission's representatives and parliament leaders on the outcome of the talks yesterday and today.

Mukhin stressed that under the agreement "the Russian fleet will be based where Ukraine decides", and Russian authorities will pay Ukraine for the lease of the base. According to Mukhin, many important aspects of fleet division were left out of the agreement pending further inquiries by a special Ukrainian-

Fate of Black Sea Merchant Fleet Eyed

MM1206142695 Moscow IZVESTIYA in Russian
10 Jun 95 p 2

[Report by Leonid Kapelyushnyy: "MV Izvestiya Arrested for Debts in Singapore"]

[FBIS Translated Text] Odessa — Even in Singapore it is unpleasant to be under arrest. The MV Izvestiya has wound up in such a position thought no fault of its own. Its crew has not squandered state money, lost at roulette, or run up debts. But the ship was arrested three months ago precisely for nonpayment of bills, and a claim is being made against it for a sum of around $2 million.

Any other ship flying the Ukrainian flag could end up in the same position as the Izvestiya because the debtor is the state shipping company the Black Sea Marine Shipping Line.

It is, of course, painful that a motor ship bearing our very own name has been impounded by the bailiffs. Since the very day the ship was named for our newspaper, its crew has had the reputation in shipping of being steadfast and highly professional. The newspaper has regularly written about the Izvestiya's sailors, and there is a small museum dedicated to IZVESTIYA on board; in short, we display spiritual kinship. For more than eight years now the ship has been working far away from Odessa on the shipping routes of Southeast Asia. It has built up a customer base there.

The Izvestiya is in demand among charterers, and the trust of freight suppliers is of no small importance. They are even agreeing to settle the debt payments imposed on the motor ship, which now amount to more than $2 million, but they are demanding guarantees that the Izvestiya will not be arrested at the next port for other debts. Unfortunately, there are no such guarantees.

Some 28 Ukrainian vessels have been arrested in various ports around the world. The Black Sea Marine Shipping Line's management can take pride in the fact that the figure is already down to only 28 because at the beginning of the year it was 34. Monumental efforts are required even to get one vessel out of trouble.

I learned a new word — "caveator" — in a conversation with Yevgeniy Forzunov, chief of the Black Sea Marine Shipping Line's commercial department. This is a person or company which joins in with the original claimant's demands. Often, they are for sums of $3,000-5,000, which are, of course, significant to the small businessman but become lost in the billions being turned over by the shipping lines. They "attach themselves" to the original claim like limpets to a ship's hull, after which the detained vessel cannot move. It was in roughly such a position that our ship the Izvestiya wound up.

The Black Sea Shipping Line has been in a bad way for a long time now. For the past four years it has been plagued by both department and government commissions, and a wide-ranging criminal investigation into incidents involving abuse of office in the shipping line is in progress. The former shipping line's chief, Pavlo Kudyukyn, has been arrested. Nobody rightly knows what is going on in the country's oldest shipping company, but a mixture of fact, rumor, and conjecture has dealt a serious blow to the shipping line on world markets. The shipping company's new president, Aleksiy Koval (who has been in this post for little over six months), has declared that one of the main ways in which the shipping line is being reestablished is through the fleet's return home to Ukraine from its worldwide dispersal. Understanding full well that the state does not have the money to plug gaps which have appeared in its finances due to past errors, Aleksiy Koval and his team have produced their own program to rescue the shipping line.

A large part of the shipping line's vessels is worn out and obsolete. There is no money to refit and modernize them. They are being operated at a loss. Their sale (and there are purchasers for them) would not only get a fleet which is capable of earning money released from custody but would, to a great degree, cope with the debts. A sum of $145 million could serve as a lifeline to the Ukrainian seamen. Each day a vessel is in custody costs Ukraine $2,000-4,000 — about $1 million a month.

One solution would be to form a state trust company and a subordinate holding company, in which every vessel would in turn be registered as an autonomous company and would not bear responsibility for general debts. Another solution would be to form a Ukrainian off-shore shipping company, to which the shipping line would hand over 26-30 vessels. Using the fleet as collateral, the company would receive of the order of $120-125 million from foreign banks, which yet again would be used to free the detained vessels. I must emphasize once more that in both cases the fleet would remain the property of the state. There exist other proposals but only one main goal — to save part of the shipping line's fleet from the threat of arrest in any port around the world for debts it has not incurred.

Unfortunately, the Ukrainian Cabinet of Ministers responded to the shipping line's proposals with another commission. Here is the opinion of the shipping line's vice president, Valeriy Voynichenko: If the cabinet does not make some kind of constructive decision in the coming days, the Black Sea Shipping Line will for the first time in its history experience firsthand what it means for a fleet to be auctioned off.

Foreign Ministry Denies Link to Zirconium

WS1306091095 Kiev INTELNEWS in English
2315 GMT 12 Jun 95

[Report by Halia Pavliva]

[FBIS Transcribed Text] Kiev, June 12 — The seven-ton zirconium shipment that was seized as part of a United States investigation of the worldwide black market for nuclear material originated in Russia, not Ukraine, Foreign Ministry Spokesman Yuriy Serheyev said Monday [12 June].

"The zirconium has no link to Ukraine," he said, responding to widespread press reports that show a Ukrainian point of origin for the material that alleged conspirators sold to United States agents posing as Iraqis.

The conspirators, three of whom were arrested in New York on Thursday, were told that the material, which is needed for nuclear reactor cores, was to be sold to the Iraqi government. The result of the "sting" was the federal government's largest seizure of nuclear reactor-grade material from the black market, according to the State Department.

Foreign Minister Hennadiy Udovenko, responding to press questions on Monday, admitted he was uninformed about the affair and said that the Ukrainian government had not yet issued an official statement.

UK Armed Forces Chief of General Staff Visits

LD1206181395 Kiev UNIAN in Ukrainian
1430 GMT 12 Jun 95

[FBIS Translated Text] Kiev — [British] Chief of General Staff General Charles Guthrie, whose official visit to Ukraine began yesterday, met on 12 June Lieutenant General Anatoliy Lopata, chief of the Ukrainian Armed Forces General Staff and first deputy defense minister, and Colonel General Vasyl Sobkov, deputy defense minister and commander of Ukrainian Land Forces.

The Defense Ministry press service told UNIAN that during the meeting the participants discussed cooperation between the defense ministries of both states, the development of relations within the Partnership for Peace program, cooperation in training military specialists, as well as building up the land forces. During the conversation, they also discussed ways of regulating the conflict in Yugoslavia, where Ukraine and Great Britain have their military contingents.

On 12 June General Guthrie visited the Ukrainian Armed Forces Academy and the Institute of Land Forces.

On 13 June he will travel to the Carpathian Military District, where he will visit an air mobile unit.

Legislators Approve Cooperation Bills With Canada

AU1206141395 Kiev HOLOS UKRAYINY in Ukrainian 9 Jun 95 p 2

[Report by Anatoliy Martsynovskyy: "The Ukrainian-Canadian Cooperation Will Expand"]

[FBIS Translated Text] Ukraine's Supreme Council Commission for Foreign Affairs and Ties With the CIS approved Ukraine's draft laws on ratifying two Ukrainian-Canadian intergovernmental accords.

The first of them — the Accord on Economic Cooperation — is rather declarative and political in character. It deals with the sides' intentions and specifies general trends in the cooperation. Its validity has no time limitations. The accord is a kind of continuation of the previously adopted Declaration on Special Partnership Between Ukraine and Canada.

The Accord on Trade and Commercial Relations must become more concrete. It is a basic accord that, for a quite lengthy stretch of time, will determine the main aspects of the Ukrainian-Canadian trade cooperation. It stipulates export-import relations between the states, interprets the notion "most-favored nation treatment," and states the taxation policy and measures in cases of violation of trade regulations.

National Affairs

Kuchma Reportedly Planning Government Reshuffle

LD1206170195 Kiev UNIAN in Ukrainian 1430 GMT 12 Jun 95

[FBIS Translated Text] Kiev — At 1000 on 13 June, Ukrainian President Leonid Kuchma will present Ukraine's Prime Minister Yevhen Marchuk to the Cabinet of Ministers of Ukraine.

According to information that UNIAN obtained from reliable sources in the presidential administration and the Cabinet of Ministers of Ukraine, the number of deputy prime ministers in the new Ukrainian Government will be reduced considerably.

Valeriy Pustovoytenko, the present minister of the Cabinet of Ministers, will probably be made first deputy prime minister. The Ministry of the Cabinet of Ministers will be reorganized into a directorate for government affairs.

The posts of three deputy prime ministers will probably remain in the government. Anatoliy Dyuba, Volodymyr Plitin, Ihor Mityukov, Ivan Kuras, and Valeriy Shmarov will leave the posts of deputy prime ministers.

According to the same sources, Ihor Mityukov will become the president of Eksimbank [Import-Export Bank] and Ivan Kuras will become the minister of culture. Valeriy Shmarov will remain as defense minister.

Viktor Pynzenyk, Serhiy Osyka, and Petro Sabluk will probably remain in the government. It has not been ruled out that the latter will replace Yuriy Karasyk as minister of agriculture and food. Serhiy Osyka will remain in the post of minister of foreign economic relations. It is not expected that Economy Minister Roman Shpek will be moved from his post.

Despite rumors of changes in the leadership of the Finance Ministry, Petro Hermanchuk will remain in his post.

Justice Minister: Election Law 'Can Be Approved'

WS1206135695 Kiev INTELNEWS in English 0132 GMT 11 Jun 95

[FBIS Transcribed Text] Kiev, June 10 — Vasyl Onopenko, acting Minister of Justice and head of the Social Democratic Party of Ukraine, said on Saturday [10 June] that the Law on Elections, "despite some deficiencies, can be approved in the first reading."

The proposed law was passed by the Committee on Legal Policy and Court and Legal Reforms for discussion by the full Parliament.

Onopenko said that in his opinion, the Law on Elections together with the Law on Political Parties will become a basis and a guarantee for the coming democratic elections.

According to the head of Onopenko, if the economic situation continues to worsen, the elections can be expected next year. "It is very important for elections to occur on a mixed basis, democratically and lawfully, for the country not to get into the trap of irresponsibility and bureaucracy."

Communists Refuse To Nominate Government Candidates

LD1206203495 Kiev UT-1 Television Network in Ukrainian 1600 GMT 12 Jun 95

[No video available]

[FBIS Translated Text] The parliament faction, Communists of Ukraine for Social Justice and Democracy, will not nominate any of its candidates to the new government. Serhiy [surname indistinct], the secretary of the Central Committee of the Communist Party of Ukraine, said this in an interview with UNIAN. According to him, this decision has been caused by the party being in strict opposition to the current political regime.

Socialist Party Condemns 'Constitutional Agreement'

AU1206140295 Kiev MOLOD UKRAYINY in Ukrainian 9 Jun 95 p 1

[Unattributed report published under the rubric "Fact"]

[FBIS Translated Text] The Secretariat of the Kiev committee of Ukraine's Socialist Party has issued a statement, which reads: "Through blackmail and threats, President L. Kuchma has secured from the Supreme Council, which is concerned about its seats, consent to establishing his personal dictatorship in the country." The statement points out that the Socialist Party did not agree to grant its leader O. Moroz the right to ignore the Constitution and dispose of the power of the people. Those deputies who did not vote against the [Constitutional] agreement will be "expelled from the party's leading bodies."

Socialist Party To Remove Moroz From Leadership

LD1206135295 Kiev UNIAN in Ukrainian 1130 GMT 12 Jun 95

[FBIS Translated Text] Kiev — The Political Council of Ukraine's Socialist Party [SPU] plans to introduce changes to the party rules at its meeting on 1 July, instituting the post of first secretary. The person elected to the post will be responsible for the everyday running of the party, while the post of party chairman will become an honorary one, said Oleksandr Bozhko, first secretary of the SPU Kiev City Committee, speaking to UNIAN.

Bozhko explained that the present party chairman, Oleksandr Moroz, who is also speaker of Ukraine's Supreme Council, does not always act in accordance with the party's position and often strays from the party's program. He said that the upcoming changes will allow Moroz to give up the everyday leadership of the SPU Political Council and concentrate on his parliamentary duties.

Republic Movement Disrupts Russian Party Meeting

WS1206135795 Kiev INTELNEWS in English 0132 GMT 11 Jun 95

[FBIS Transcribed Text] Simferopol, June 10 — A sanctioned meeting of the Russian Party of Crimea held Saturday [10 Jun] was intruded upon by Republican Movement of Crimea [RPC] party members, RPC members said Saturday.

Serhiy Shuvainykov, RPC leader, said that he blamed Ukraine for the meeting's disruption and appealed to all Crimeans for a unification of "all Russian people of Belarus, Russia, Kazakhstan and Ukraine into one Slavic state".

The RPC said it adopted a resolution on "The act of giving to Crimea the status of a Russian republic". According to Serhiy Shuvainykov, an RPC member, if the party can get one million signatures supporting the resolution, then it will become effective "and Ukraine will not succeed in avoiding it."

Meeting participants also approved a resolution in which they found the Crimean Parliament and its speaker, Serhiy Tsekov, guilty of supporting the Ukrainian government. The RPC said it wished to dismiss the Crimea Parliament and to support Crimean President Yuriy Meshkov, whose office was abolished by the Ukrainian Parliament in March.

Crimean President's Health 'in Danger'

LD1206165695 Moscow ITAR-TASS in English 1638 GMT 12 Jun 95

[FBIS Transcribed Text] MOSCOW, June 12 (Itar-Tass) — Crimean President Yuriy Meshkov, who was hospitalized with diphtheria in the Crimean capital Simferopol last Friday, is still in a poor health condition, and his life is in danger, physicians say, according to presidential aide Aleksandr Spakhov.

Problems of Radioactive Storage in Donetsk Oblast

WS1306093995 Kiev INTELNEWS in English 2315 GMT 12 Jun 95

["Special to INTELNEWS" by Olha Burda]

[FBIS Transcribed Text] Donetsk, June 12 — Notwithstanding the fact that the Donetsk Oblast has no nuclear power plant in its territory, the problem of safe storage and proper re-utilization of radioactive sources is nevertheless acute there.

Radioactive materials were found in the pockets of children twice last year.

According to the oblast sanitary-epidemiological station, 206 enterprises of the Donetsk oblast use devices capable of emitting ionizing radiation from 3,500 sources.

Inspections conducted by city and district public prosecutors detected a lax and often criminal attitude to the usage, storage and re-utilization of radio-isotopic devices.

In the Donetsk mine administration Chervona Zirka, where 32 ionizing radiation sources are used, storage places are not equipped with any alarm systems. The same situation is to be found in the Donetsk and Avdiyivka coke-chemical plants. As Donetsk oblast public prosecutor's office environment protection legislation control department chief Tetiana Bylovol said, 10 radioactive sources disappeared from the oblast enterprises in two years due to such neglect.

The devices containing cesium-137 disappear most frequently. Three such units were stolen from the Artema mine (VO DzerzhynskVuhillia), two from the Hranos plant (AT Styrol) and one each from the Vuhlehirska mine (VO OrdzhonikidzeVuhillia) and the Komsomolets mine in Horlivka.

Since many enterprises fail to keep records of the receipt and disposal of radioactive materials and the devices which utilize them, prosecutors say they are not surprised by the disappearances. The public prosecutor's inspection detected that the new devices received in the Avdiyivka, Yasenuvata and Donetsk coke-chemical plants as well as in Horlivka AT Styrol were not even checked for presence of radioactive sources, AS specified in manuals.

Another problem, according to prosecutors, is that most enterprises have no procedures or regulations governing the dismantling or disposal of the devices in the presence of sanitary-epidemiological stations and law-enforcement bodies. For instance, this has not been done in the Abakumov mine (VO DonetskVuhillia) for seven years. Tens of oblast enterprises have no licenses to work with radiation sources and radioactive materials. Sometimes, devices that have outlived their useful lives are not dismantled for years and are stored in enterprises without usage.

Since all this threatens the health of the population, oblast public prosecutors have submitted 23 subpoenas and 16 orders to different bodies, in the first quarter alone detecting more than 50 legal violations. The sanitary-epidemiological stations initiated actions against only 20 persons.

The sanitary inspection bodies do not control execution of their sanctions. For instance, in spite of the fact that the Kramatorsk sanitary-epidemiological station banned selling the finished products of MP Marmur without a certificate, they sold 193 kits of kitchen utensils.

Economic Issues

Economics Minister on Conservation, Stability

WS1206143095 Kiev INTELNEWS in English
2020 GMT 11 Jun 95

[Interview with Economics Minister Roman Shpek by Fedir Storozhenko, identified as "ER"; place and date not given — from the "Economic Review" feature; first paragraph is INTELNEWS introduction]

[FBIS Transcribed Text] Roman Shpek, Economics Minister, has been Deputy Minister of the Timber Industry, Minister of Privatization and Demonopolization of State Property, First Deputy Minister of Economy of Ukraine from 1992-1993 before working in his current position.

[ER] What is the meaning of the program "The Global Strategy of Energy Conservation for Ukraine?"

[Shpek] The energy Conservation Program is a program of maintaining and keeping our country. Only with a strong economy can we build and strengthen our statehood. The fact that a significant part of our produce competes poorly or not at all is inherent of the old system. To study conclusions of European experts, by 1990 energy consumption (here) per unit of produce was twice that in European countries. By now, the technologies have grown older, prices for imported gas, oil and its products has grown which, in turn, resulted in price increase for domestic coal and electricity. All this worsened the state of producers.

But the important thing for us is to find the answer to the principal question of can we, without major investments and just by organizing enterprises, reach energy conservation of about 12 percent? Moreover, we ought to keep energy preservation in mind when conducting structural changes in the economy and private enterprises.

The strengthening of financial stabilization has shown weakness typical of our companies. Having deformed the economic situation, we have to find a balance and start spending according to income. This means forcing a director of a private, joint-stock, collective or a state-owned enterprise to consider the price at which his produce will be sold. Not only with respect to supply but also to demand.

This mechanism has to be the pathway to lowering the cost of production. And then we can finally reach the third source of energy conservation in its production and transmission.

And that's what needs to be worked on. For example ... (the) UkrBudMaterialy corporation offered to raise prices for their produce, collect additional funds and conduct an energy conservation policy while their products have low sales due to high prices or low demand. Overall profitability in the branch is 12 percent. Gas and electricity prices, wages and salaries, all of these are included in prices and are compensated by zero profitability. And if to conduct energy conserving measures in account of, say, amortization expenses, tomorrow we would be able to lower prices. Then producers will sell goods and enterprises will pay wages with money obtained from trade, not as bank credits. This might be the way to salvation for our economy.

[ER] Energy conservation in everyday life is also of great importance, isn't it?

[Shpek] General energy resource conservation in everyday life is really important. It's funny (for example) when there are heating systems on and windows are opened for ventilation.

Thus, discussion of conservation problems at the committee of the Ministry of Economy with participation by representatives of other ministries, departments, scientific foundations and the European Commission and International consortium is the first serious step towards overcoming the energy crisis in Ukraine.

[ER] Private companies can conduct flexible price policies and quickly get out of complicated situations. At the same time it is known that state-owned enterprises have always proven ineffective. What are possible solutions to this problem?

[Shpek] (State-owned enterprises) must behave like private ones. If a state-owned plant has leftover produce in its warehouse they have to understand that given these conditions and prices it is never going to justify expense. The longer the produce is there, the greater will be debts to the Pension Fund Budget and to employees. It's way more profitable to sell produce even if the price is lower than production expenses and to start settling up without taking credits. Definitely a price decrease will make managers, staff and workers or stock holders think of ways to lower production costs. At this point measures on improvement of cost effectiveness will to be taken. There will be no need for government guidance.

[ER] So changes are to be started at the level of individual enterprises.

[Shpek] The start is to be made at a plant, a factory, a collective farm. The result is known if there's an attempt to solve the efficiency problem at the national level. Agroprom Program, Housing by 2000 are bright examples.

Problems at the basic level cannot be solved by command from the top. But if to put businesses to a medium where they'll have to solve their problems individually, the economic stimulation will be the driving force of the process. Everybody has to understand that a company or a country are evaluated not only by production level but also by sales amounts.

[ER] How often do you have to reject requests for credits on preferential terms?

[Shpek] The paradox is that commercial banks have excess liquidity — there are credit resources, which are clients' money. Banks are paying interest but there's nobody to credit now. So our banks have to conduct a more flexible credit policy.

The root of the problem is that for a long time we held an exorbitant credit rate. The policy of the National Bank changes, though, and so does that of commercial banks. Imagine that a business or a person is depositing some free funds or savings for half a year and requests 200 percent interest, trying to get a favorable rate credit for 50 percent. That's an attempt to live at somebody else's expense. The credits will be cheap when inflation is stopped because then citizens will deposit money to banks and will quit storing dollars at home.

Take Japan. Personal savings comprise up to 12 percent of total investments. Credits in the United States are more expensive, as personal savings carry just 3 percent of credit total. Earlier, there was no reason to expect people to start depositing in banks as inflation rates were high. Now, as inflation surmounted, there's hope for an increase of investment activity.

[ER] The series of bank bankruptcies weakened the reputation of commercial banks. What is a possible mechanism to reassure bank clients?

[Shpek] It's necessary to commit banks through the Statistics Ministry and the National Bank to publishing their financial condition, balance and transaction reports for an accounting period.

National Bank Reduces Discount Rate to 75 Percent

WS1206131695 Kiev INTELNEWS in English
2159 GMT 10 Jun 95

[FBIS Transcribed Text] Kiev, June 9 — The National Bank of Ukraine [NBU] reduced the discount rate Thursday [8 June] to 75 percent annually.

The NBU reduced the discount rate to 150 percent (12.5 percent per month) in the beginning of 1995. The rate was further reduced in May to 96 percent (8 percent per month).

The adjustment runs parallel to monthly inflation trends, according to the NBU General Directions for Monetary-Credit Policy for 1995.

The NBU sent telegrams to commercial banks encouraging them to grant credits to sound enterprises at the NBU discount interest rate. The amount of obligatory reserves required at commercial banks will be adjusted to the amount of credits granted.

The NBU is also preparing a decree to encourage bank retail activity.

Effects of Cut in Bank Discount Rate

WS1206143595 Kiev INTELNEWS in English
2020 GMT 11 Jun 95

[Report by Serhiy Shevchenko — from the "Economic Review" feature]

[FBIS Transcribed Text] Interest rates dove last week as the National Bank of Ukraine [NBU] slashed the discount rate, the rate at which it lends money to commercial banks. The rates also declined amid fading expectations of inflation after the government decided against using monetary emissions to alleviate a severe payment crisis currently crippling the country's enterprises.

Average commercial bank interest rates for monthly loans to companies dropped to an annualized 130 percent, down from 140 percent the previous week. Ukraine's largest banks, including ProminvestBank, Ukrayina and Ukrsotsbank offered credits at even lower rates last week, ranging from 80 percent to 100 percent.

Interest rates, which declined for the fifth consecutive week, are experiencing downward pressure due to the NBU's strict monetary policy that restricts the money supply and keeps inflation down. The low inflation, expected to be 5 percent in June, made the NBU slash the discount rate. Starting June 7, the NBU will lend money to commercial banks at an annualized 75 percent, down from the previous 96 percent.

The interbank credit market, where banks sell loans to each other, exhibited some kind of stabilization. The short-term (one- to two-day) loans were sold at an annualized 25 percent to 30 percent last week, down from the previous week's 30 percent.

At the same time, weekly loan rates remained unchanged from the previous week (at an annualized 35 to 40 percent), while monthly loan rates slightly rose to 75 percent from the previous week's 70 percent.

Last week, the most popular credits on the interbank market were weekly loans, which is a shift from the previous week's favorite short-term loans. The shift indicates that bankers' expectations of inflation are fading as the government vowed to fix the payment crisis without printing more money.

The Cabinet of Ministers and the NBU recently issued a resolution, aimed at settling the mutual debts of financially troubled enterprises through promissory notes. A promissory note is a commercial paper in which the debtor promises to pay out its debt within an agreed period of time. According to the resolution, the mutual debt settlement among the country's enterprises will be conducted from June 19 until June 23.

Viktor Kravets, NBU deputy governor, said the resolution will resolve the payment crisis. "The resolution has all chances to fix this problem," he said.

Kravets' optimism is based upon the past year's experience, when a similar move by the government cleared the debts of nearly one third of all mutual liabilities among domestic enterprises.

This time the government plans to be more successful. According to the resolution, enterprises will have the right to negotiate the term within which the debt is to be completely cleared. This, as well as the fact that promissory notes will be sent out via e-mail is expected to speed up the process of mutual debt settlement.

The NBU also circulated a letter last week to clarify some points of the recent presidential decree aimed at credit support to state enterprises in 1995.

Only those enterprises that plan to restructure, increase production and sales as well as those that aim to buy and resell domestically produced goods will be eligible to receive credits this year.

Banks' Problems Noted, Efforts Praised

MM1206140595 Moscow IZVESTIYA in Russian
6 Jun 95

[Report by Oleg Grechko: "Ukrainian Banks Have Shock in Store: Their Praises Sung" — from the "Financial IZVESTIYA" section, pp i, iii]

[FBIS Translated Text] Dnepropetrovsk — Seven Ukrainian commercial banks will have to cease operations in the near future. The chiefs of National Bank regional administrations have been instructed to organize the work of supervisory councils of the banks being liquidated in order to determine who will declare the banks bankrupt. The National Bank of Ukraine cannot do this itself because its credits were not part of the failed banks' resource base.

It all started with the actual appearance of the National Bank of Ukraine's decree "On Immediate Measures To Financially Revitalize Commercial Banks and Restore Liquidity and Solvency." The Republic Bank of Crimea and oblast administrations of the National Bank of Ukraine had to analyze the state of all commercial banks. The commercial banks themselves were made to sell foreign currency reserves and surplus cash karbovantsy and to channel the receipts into topping up their correspondent accounts. They also had to carry out an inventory of debts regarding presented credits and unreceived interest for the use of loans as at 1 March 1995. And to liquidate loss-making branches before 1 July. A number of banks were unable to solve their problems. The board of the National Bank of Ukraine described 33 of the 228 commercial banks functioning on Ukrainian territory as "unhealthy in the financial respect." The fate of 18 of the most unprofitable will be determined as follows: Seven of them must be declared bankrupt and five banks, having presented evidence of recovery work being carried out and planned, obtained a National Bank of Ukraine stabilization credit at the existing discount rate. Six have approached safe commercial banks with a merger proposal. Commercial banks must decide whether to incorporate the failed banks into their structures in the next 30 days.

Although, according to National Bank Board Chairman Viktor Yushchenko, the country's main bank currently has 2.5 trillion karbovantsy (around $18 million at the Ukrainian Interbank Currency Exchange rate) which has been specially allocated for "improving the liquidity of commercial banks." Many of them have been refused both stabilization credits and individual economic rates. Commercial banks' activity "must be commercial activity," with the inherent risk, Yushchenko believes. Help can be relied on only in those cases when the appropriate application is accompanied by a realistic financial program. Help should not be expected if the issue of a stabilization credit is merely going to defer a bank's collapse.

In the future the National Bank will try to anticipate commercial banks' bankruptcy with the help of its own officials placed in their apparatuses. Its "own people" will have to ensure the timely acquisition of information on alarming symptoms indicating a particular bank's financial state — which will help to eradicate them as quickly as possible.

In addition, the National Bank has obliged all commercial banks to carry out an audit of 1994 activity before 1 July 1995, and before the new year they are to increase the amount of incorporation capital to 500,000 ECU's and their own resources to 1 million ECU's.

The total amount of bank credit is limited to twice a bank's own resources. Banking institutions which are not legal persons (branches, for example) cannot accept or grant loans. Banks will be able to attract the population's monetary resources in the form of deposits, certificates, and bonds on the completion of a three-year probationary period and only under an individual National Bank license. The maximum loan per individual applicant must not exceed 25 percent of the commercial bank's own resources.

According to Yushchenko, during 1994 the rate of increase of capital in the banking system was lower than in any other sphere of the economy, even including ever-decaying Ukrainian production. Analyzing the reasons why a number of commercial banks have ended up on the brink of bankruptcy and some have actually stepped over the brink, Mr. Yushchenko noted as the main reason the violation of the so-called rule of "maximum return while maintaining critical liquidity." Some banks formed 85 percent of their portfolios from interbank credits at fixed rates, and no good could come of that in inflationary conditions.

The Association of Ukrainian Banks, which unites around 80 commercial banks, approaches an analysis of the reasons for the banking credit [as published] somewhat differently. Banks have been forced to chase inflation, the association's specialists believe, and to increase their incorporation capital in order to comply with National Bank of Ukraine norms to obtain approval for licenses to open branches and work with foreign currency. The increase in banks' own capital in the first quarter was 155.6 percent (inflation in the same period was 159.5 percent). Deposits increased by only 10 percent and citizens' deposits by 121 percent. Some banks have lost almost all their investors. In the opinion of the association's specialists, this is evidence of an economy that is not working. Lending volumes also decreased compared with inflation and totaled 123 percent. Even major banks reduced the issue of credits. In the opinion of Aleksandr Sugonyako, president of the Association of Ukrainian Banks, lending is becoming unprofitable. The only indicator corresponding to the level of inflation is bank assets (186.4 percent).

Experts point to the many mistakes, traditionally made in crisis situations, repeated by the National Bank of Ukraine at the end of 1994 and beginning of 1995. One of them is being specially stressed: The public learns of a bank's difficulties only after it has gone bankrupt. Only a small circle of National Bank of Ukraine leaders and specialists has information about a bank's real financial position. Information of this kind has a tendency to leak. Blended with rumors and suspicions, it undermines investors' confidence. But, on the admission of National Bank officials themselves, they failed to pay attention to this fact only because banks are still the most reliable institutions by virtue of the financial system's lack of development. Moreover, in Yushchenko's opinion, if all sectors of the economy were currently in the same kind of "crisis" as the banking "crisis," "their praises would be being sung."

UNIAN Provides Commercial Bank Statistics

LD1006132995 Kiev UNIAN in Ukrainian 1040 GMT 10 Jun 95

[FBIS Summary] There are 215 commercial banks in Ukraine, with their authorized capital and own resources totalling 16.3 trillion and 73.3 trillion karbovantsi respectively, the Ukrainian news agency UNIAN reports. The agency quotes the National Bank of Ukraine as saying that commercial banks are now in possession of funds put at 398 trillion karbovantsi.

Of the latter amount, 52.8 percent are interbank credits. The National Bank has predicted that, because of the impossibility to invest effectively in loss-making production, this proportion is set to rise.

The sum of commercial bank credits to industry reached 414 trillion karbovantsi, including 10.3 trillion in extensions and 13.9 trillion of the debt in payments overdue. So far in 1995, commercial banks have lost 55.9 trillion karbovantsi, mainly due to their business clients' failure to repay or service their debt.

IMF Experts Drawing Up Credit Plan

LD1106121695 Kiev Radio Ukraine World Service in Ukrainian 1000 GMT 11 Jun 95

[FBIS Translated Text] According to the IMF permanent representative in Ukraine, Alex Sundakov, the government of Ukraine and IMF experts are jointly drawing up an appeal to the IMF Board of Directors for a second tranche of the stand-by credit, to the value of 350 million dollars, to be granted to Ukraine. Alex Sundakov believes that the appeal will be ready in two weeks and in early July the IMF Board of Directors will take a decision. In the second half of July the IMF mission will consider the issue of granting Ukraine a third tranche worth 350 million dollars. It is precisely at that time that IMF experts are expected to make an in-depth analysis of Ukraine's economic indicators for 1994-95.

Belarus

China Donates 3 Million Yuans Worth of Goods

*WS1206141595 Minsk BELAPAN in English
1343 GMT 12 Jun 95*

[FBIS Transcribed Text] Zhao Xidi, ambassador extraordinary and plenipotentiary of the People's Republic of China, and the Minister for Foreign Economic Relations Mikhail Marynich of Belarus have exchanged official letters in Minsk. It was confirmed that China would give Belarus goods worth 3 million yuans without compensation, which is envisaged by the agreements that were reached during the President of Belarus Alyaksandr Lukashenka's visit to Beijing.

Data on Foreign Firms' Share in National Economy

*WS1206131295 Minsk NARODNAYA GAZETA
in Russian 8 Jun 95 p 1*

[Unattributed report: "Foreign Companies in Belarus"]

[FBIS Translated Text] **As of 1 April 1995, 1,559 joint ventures and 607 foreign companies had been registered in Belarus.**

During the January-March period, foreign companies' share in the total volume of industrial production amounted to 1.9 percent. The total number of people employed at these enterprises was 22,200.

During the first quarter of 1995, foreign companies exported goods and services worth $14.5 million, or 4.5 percent of the total volume of our state's exports to countries of the far abroad [relates to countries other then former Soviet republics], and imported goods and services worth $16.6 million, or 11.3 percent of the total volume of our country's imports.

President Provides 'Instructions' at Cabinet Meeting

*WS1206120495 Minsk BELAPAN in English
0852 GMT 12 Jun 95*

[FBIS Transcribed Text] On June 8 President of Belarus Alyaksandr Lukashenka took part in an enlarged sitting of the Cabinet of Ministers and gave specific instructions to the government and a number of ministries and departments. It is supposed that these instructions will determine the government's economic policy for the next two months.

In particular, the President ordered to work out a series of measures before July 1 for the state regulation of material production, and a provisional document on the procedure of bankruptcy. The Ministry of Finance together with trade unions and the associations of employers are to work out a draft law on taxation. The Cabinet of Ministers is to analyze the current normative base within ten days and eliminate the clauses that force enterprises and organisations to constantly appeal to higher administration for permissions and licences. The National Bank was obliged to organise the annulment of mutual debts of economic entities. The President considers it necessary to prohibit the stoppage of production without permission from higher instances, otherwise, directors of enterprises will be dismissed, as well as to "increase working hours, above all for the managerial staff." The Cabinet of Ministers is to consider the organisation of clearance sales of goods at reduced prices and the possibility of the 25-percent reduction of prices on goods which are kept in warehouses for over 30 days. It is planned that special documents will be worked out to ground the confiscation of commercial banks' superprofit.

In some experts' opinion, the measures proposed by the President are evidence of the government's aspiration to rule the economy by the former administrative methods with the use of some market approaches.

Lukashenka Requested To Convene New Parliament

*WS1306082495 Minsk Radio Minsk Network
in Belarusian 0300 GMT 13 Jun 95*

[FBIS Translated Text] According to the Department of Sociopolitical Information of the Presidential Administration, Belarusian President Alyaksandr Lukashenka has received telegrams from conferences of oblast deputy groups with a request to convene a session of the newly elected Supreme Soviet deputies at 1200 [0900 GMT] on 14 June 1995. The president ordered than an appropriate assembly hall in the House of Government be made available for the session. His participation in the session of the newly elected deputies is not ruled out providing he receives an invitation to attend this meeting.

Hryb Offers 3 Solutions To Parliamentary Crisis

*LD1206171395 Moscow INTERFAX in English
1509 GMT 12 Jun 95*

[FBIS Transcribed Text] MINSK, June 12 (INTERFAX-WEST) — Mechyslaw Hryb, chairman of the Belarussian Supreme Soviet, has offered three options to solve the constitutional crisis.

He told a meeting of old and new Supreme Soviet members Monday that an emergency meeting of the old parliament could be convened shortly in order to make the new one legitimate when 130 members, 50 percent of the total membership, are elected.

Hryb said that the Central Election Commission should call new parliamentary elections on October 4, 1995.

Another option, he said, is to allow the old Supreme Soviet continue its activities with the quorum reduced from two thirds to two fifths of the membership.

In a third option, the old parliament would dissolve itself.

Under the existing law, the five year term of the old parliament has ended last March. However, after two rounds of voting last month as few as 119 MPs have been elected. Parliament is not legitimate unless two thirds of its 260 members, or 174 MPs, are elected.

BNF Views Election Results, Sets Tasks

WS1306100895 Minsk MMC in Russian 0730 GMT 13 Jun 95

[FBIS Translated Text] A regular session of the Belarusian Popular Front [BNF] Council was held in Minsk on 10 June. The session was devoted to the results of the parliamentary elections in Belarus.

BNF Political Commission Chairman Vintsuk Vyachorka, BNF Electoral Committee Chairman Uladzimir Antsulevich, and Lyavon Barshchewski, a member of the BNF Political Commission, resigned their duties. This step was motivated by unsatisfactory results in the past elections.

The BNF Council declined a proposal to divide the BNF into a party and a movement.

In his address to the session, BNF Deputy Chairman Yury Khadyka noted that the main reasons for the BNF's failure in the elections were the alienation of the BNF from the public consciousness and the isolation of the BNF parliamentary opposition from the BNF itself, which lead to narrowing the perception of the BNF as a social movement. "The hunger strike staged by the opposition was a desperate step, but we should not lose the political initiative."

Mr. Khadyka called for the BNF people's deputies to take part in the emergency session of the Supreme Soviet. "Under the current circumstances, the opposition should not feel itself offended, but proceed from political expediency. It is necessary to stave off unlawful changes in the Law on Elections. The only solution is to return to the law on mixed system elections, which has been proposed by the BNF."

Mr. Khadyka proposed to take part in the third round of elections in the fall. He also proposed to separate the Party of the BNF from the BNF movement "so that the latter could take away all labels pinned on the BNF by authorities. The Party of the BNF should have more freedom in its activities and hold negotiations with as many democratic forces as possible." Mr. Khadyka also thinks that the Party of the BNF should have a separate leader from that of the BNF movement. Mr. Khadyka did not rule out the possibility that in such a case the Party of the BNF may be renamed.

The session was also addressed by Vintsuk Vyachorka, who upheld Khadyka's proposal to divide the BNF into a party and a movement. "The movement should remain an advocate of the national idea, while the party should become a clearly defined political force with a conservative ideology."

BNF Chairman Zyanon Paznyak expressed his outlook for the situation in the following way:

"Some people have begun accusing one another and looking for mistakes. We should not give way to such ideological impositions — so to say, let us change the name, and the people will support us with their votes. There will be no division of the BNF into a party and a movement."

Speaking about strategy, Mr. Paznyak noted that it remains the same as before — the rebirth of Belarusian statehood. "There is no alternative to it if we look towards the future of our nation."

Zyanon Paznyak also believes that the BNF needs to break the information barrier: "It is necessary to work on two levels: on a higher level, unifying the elite — including state bureaucrats — on the basis of preserving statehood, and on an everyday level. The BNF should change its policy on the level of local structures — direct work with the people and the dissemination of BNF ideas."

Mr. Paznyak also stated that it is necessary to create another front along with the BNF — a "youth movement."

According to Mr. Paznyak, the BNF will create its information center with a network of correspondents in Belarus.

The BNF is planning to convene its next congress in early July.

Democratic Parties Assess Elections

WS1306105495 Minsk SEM DNEY in Russian 10 Jun 95 p 3

[Report by Maya Shendrik: "Democratic Parties Lost Democratic Elections"]

[FBIS Translated Text] **Democratic parties lost the democratic [parliamentary] elections, the Independent Institute of Economic and Political Research**

has concluded. Yet, discoveries made by the institute after the elections do not end with this statement: All of us are yet to determine "where we are, and in which year," as well as to realize that the currently popular and irreparable words "collapse" and "disaster" are perhaps the "normal situation of our society, which feels comfortable with such an economy."

A conference held on 6 June at the Belarusian Academy of Sciences with the participation of representatives of the most popular parties and associations was devoted to the recent elections, and was supposed to outline further cooperation among all democratic forces in our country. The meeting was organized by the "West-East" National Center of Independent Initiatives.

Of course, the nature of the elections, their results, as well as visible and invisible reasons behind the deteriorating crisis were assessed differently by the participants in the meeting. Even a version of [former prime minister] Vyacheslaw Kebich's defeat was presented — he has never termed our state a state, but a republic. "The opposition is not represented in parliament, but there is no parliament either," Aleh Trusaw, leader of the Belarusian Social Democratic Assembly [BSDH], concluded. In his opinion, the fact that the elections failed can be explained by the lack of a "middle class" in Belarus and the unresolved "land issue." In the immediate future, the BSDH leader does not rule out a "Romanian scenario with [former Romanian president] Ceausescu" and new presidential elections. Mikhail Padhaynyy representing the Committee for Issues of Young People addressed the issue of the democratic forces' electorate, which, perhaps, "will grow when life becomes even harder." This statement, which by the way resembles Lenin's famous definition of a revolutionary situation, seemed to be not quite democratic, since democracy built on the people's poverty is hardly worth anything. Mikhail Padhaynyy explains the passivity of young people in the elections by "the authorities' indifference toward their problems," and if this indifference is not overcome, the emerging generation will pay the authorities in kind. Yury Khadyka, representing the Belarusian Popular Front [BNF], did not agree with this assessment of young people's passivity, since the reason, in his opinion, lies somewhere else — in the lack of an idea to unite the nation. The ideas of market economy and sovereignty "will hardly unite it" — everybody has their own understating of these ideas, sometimes quite polar. Valyantsina Palevikova, chairwoman of the Belarusian Women's Party "Hope," believes that a wise personnel policy is a way to lead the people out of the apolitical situation — losses of jobs quite naturally lead to loss of confidence in the current and future authorities.

So who actually suffered defeat in the elections? The participants in the meeting returned to this starting-point at the end of the meeting. BNF, which has increasingly often been said to have been defeated, does not consider itself a winner. And to a question concerning a possible replacement of its leader, Yuriy Khadyka replied as follows: "We do not expect any dismissals, though one must not rule out certain reshuffles. Everything will be decided at our congress." The Party of Popular Accord [PNZ], whose leader has already tendered his resignation, is not going to "give itself up for lost" either, understanding that the development of a system of political knowledge in Belarus (the party considers it to be a solution) is not a momentary matter. The party's supporters will perhaps take into consideration the president's "winning" sentence that he "is against both communists and nationalists," since a PNZ representative deemed this sentence the most successful.

The conclusion drawn by the participants in the conference was not unexpected — the elections have not ended, and there is thus a lot of strained work ahead of them. To increase the efficiency of this work, it was decided to unite all democratic forces. As for relations with the authorities, their opinions were divided into two directions — opposition and cooperation. This, as the saying goes, "is a personal matter of every party member." One thing is alarming, however: How to prevent this "personal matter" from becoming a "public bag" for begging....

Moldova

Bashkan Election Completes Gagauzia Power Structure

AU1206175795 Chisinau INFOTAG in English 1400 GMT 12 Jun 95

[FBIS Transcribed Text] Chisinau INFOTAG, 12/6/1995 — The election of the Bashkan and 6 deputies (out of 7 necessary) of the Halk Toplusu (Popular Assembly) last Sunday [11 June] practically marked the formation of main power bodies in Gagauzia, INFOTAG was told in the Gagauz Central Election Commission.

All in all, Gagauzes elected 34 of 35 deputies to the Popular Assembly. Additional election of the last deputy is highly questionable, because the population is losing their voting enthusiasm after the recent referendum and several rounds of various votings that were held in the region this year alone. Ten of the 34 mandates will belong to the local radical party "Vatan" ("Motherland") which supported the former leaders of the unrecognized Gagauz republic. Nine mandates will belong to the Communist Party of Moldova, 4 to the Agrarian Democratic Party, and 1 to the Gagauz People's Party. Ten seats belong to independent candidates.

The Popular Assembly will hold its first sitting soon, after which all the structures of the self-styled Gagauz Republic will be disbanded.

The Gagauz territorial administrative autonomy was established by the Moldovan Parliament late in 1994, and thus solved the problem of the 150,000-large Gagauz population — a Turkic ethnicity of the Orthodox faith forming a compact community in several areas in south Moldova.

In early 1990s, Gagauzes began a movement for national revival, and proclaimed "the Gagauz Republic" in August of 1990. This was Gagauzes' attempt to defend themselves from the Languages Law, which they considered discriminative, and against a possible unification with Romania.

Many residents of Gagauzia, which includes 30 towns and villages as a result of a recent referendum, still believe their own autonomy necessary only to a degree which can guarantee non-joining with Romania should a unification occur.

Tabunshik Wins Elections in Gagauzia

AU1206175695 Chisinau INFOTAG in English 1400 GMT 12 Jun 95

[FBIS Transcribed Text] Chisinau INFOTAG, 12/6/1995 — George Tabunshik was elected Bashkan (Head) of Gagauz Yeri. At last Sunday's [11 June] repeated voting, he received 64 percent votes, INFOTAG was told by the Gagauz Central Election Commission.

His only rival, chairman of Parliament in the self-styled Gagauz Republic Mikhail Kendigelean, received only 32 percent votes. Gagauzia residents, who came to polling stations for the fourth time this year (and in some localities for the fifth time already), demonstrated a fairly high electoral activity: Over 60 percent of registered electorate attended the voting.

Many observers predicted Tabunshik's victory long before the voting day. He had long been "the master of the Comrat area" — the last-in-history first secretary of the Comrat Areal Committee of the Communist Party of Moldova, and continues to enjoy a high respect and authority in the region, because his name is closely related to the now dominating people's nostalgia for a quiet life and stability.

Tabunshik supports market-oriented reforms and development of the economically backward agrarian region in the crop-risky arid zone. He is for unified Moldova and for solving all problems on the principles of close interaction between central and local powers. In accordance with the Gagauz Status Law, the head of Gagauzia shall be a member of the Moldovan Government.

One may presume that the first Gagauz Bashkan will have to work in fairly hard and complicated conditions. He will be obstacled in every was by Gagauz radicals — the former leaders and founder fathers of the unrecognized Gagauz republic. They consider Tabunshik to be "the hand of Chisinau," and fiercely criticized him during the election campaign.

Neither Tabunshik is loved by Tiraspol separatist leaders who openly advertised Mikhail Kendigelean during the election campaign. However, the new Bashkan is favoured by the Chisinau authorities who believe that with his coming to office the situation in the region will be finally stabilized.

Background Information: George Tabunshik is 55 years old. In 1962 he graduated from the Chisinau Agricultural Institute. In 1974 completed a post-graduate course (speciality: philosophy) at the Chisinau State University.

He was first secretary of the Comrat Areal Committee of the Communist Party of Moldova for almost 10 years, after which was promoted to the Central Committee of the Communist Party of Moldova, where he worked in the Auditing Commission.

In early 1990's, Tabunshik worked as a deputy chairman of the State Planning Committee in the former Moldavian SSR. After the break-up of the USSR he was director of the Moldovan branch of the Menatep Bank of Moscow.

Married, has two sons. Hobbies: reading books and "enjoying nature."

New Leader Sets Out Future Policy

LD1206142695 Moscow ITAR-TASS World Service in Russian 1253 GMT 12 Jun 95

[By ITAR-TASS correspondent Valeriy Demidetskiy]

[FBIS Translated Excerpt] Chisinau, 12 Jun — Georgiy Tabunshchik, elected first bashkan (head of administration) of the autonomous region of Gagauzia in the south of Moldova, intends to conduct a policy aimed at "achieving ethnic harmony and maintaining the territorial integrity of Moldova." He made this statement to the ITAR-TASS correspondent today.

In order to end the economic crisis in the region, the people need in the first place to rely on their own effprts and combine market and administrative methods judiciously, Georgiy Tabunshchik stressed. Therefore first of all he intends to mobilize in full the industrial potential already available in the region. Substantial capital investments are needed to implement the planned programs to supply gas and fresh water to the region, provide employment for the population, and introduce other changes. To this end, the people themselves need to work better and conditions for attracting foreign investment need to be created, the head of the autonomous region believes. [passage omitted]

Kazakhstan

Turkish President Arrives; Welcomed by Nazarbayev

LD1306084995 Almaty Kazakhstan Television Network in Russian 1400 GMT 12 Jun 95

[FBIS Translated Excerpt] An official visit to Kazakhstan by Suleyman Demirel, the President of the Turkish Republic, began today.

The high-ranking guest was met by our head of state Nursultan Nazarbayev and other officials at the capital's airport.

Suleyman Demirel is one of the most powerful Turkish politicians, whose name is connected with some of the most important phases in the history of Turkey over the last three decades. He was prime minister of the country several times, and also the initiator of the adoption in 1980 of a program to modernize the Turkish economy through encouraging private business and foreign investments. [passage omitted: Demirel elected President of Turkey in 1993]

This is the second visit by Suleyman Demirel to the Kazakh land. He visited Kazakhstan in May 1992 on an official visit as prime minister of his country. [video show Nazarbayev and Demirel at the airport]

Tomorrow morning, official talks between the President of Turkey Suleyman Demirel and our head of state Nursultan Nazarbayev will be held.

Nazarbayev, Demirel Sign Agreements

LD1206102095 Moscow ITAR-TASS World Service in Russian 0809 GMT 13 Jun 95

[FBIS Translated Text] Almaty, 13 Jun (ITAR-TASS) — Kazakh President Nursultan Nazarbayev and Turkish President Suleyman Demirel, who arrived in Almaty yesterday, had a one-on-one meeting today. They then led talks between delegations from the two countries. These ended in the signing of a joint declaration on further developing and expanding cooperation between Kazakhstan and Turkey, a bilateral agreement on legal aid in civil affairs, and a contract between the state power company Kazakhstanenergo and the Siemens-BMB-Bobkok consortium to build a 954-megawatt power station near Aktyubinsk.

President Receives French Constitutional Experts

LD1306081795 Almaty Kazakh Television First Program Network in Russian 1400 GMT 12 Jun 95

[FBIS Translated Text] Nursultan Nazarbayev met with Roland Dumas, chairman of the French Constitutional Council, and with (Guy Pierre Casson), a specialist in constitutional rights, at presidential palace today.

[Unidentified correspondent] This was the concluding meeting of two days of work in Almaty on the draft of the new Kazakhstan constitution with the participation of French specialists. The draft constitution takes into consideration the three main principles laid down in the constitutions of many democratic countries, and these are: the division of executive, judicial, and parliamentary powers; their interaction; and the establishment of an independent judicial system. This will be the essential difference compared to the existing constitution in our country. It will be a highly improved constitution. [video shows Roland Dumas speaking]

[Begin recording] [Dumas in French with superimposed Russian translation] And that is why we very much want Kazakhstan to develop in a democratic way, at the same time using the free economy, granting guarantees for foreign investors which are necessary for the country's development. And all this presupposes at the initial stage the adoption of a constitution similar to the constitutions of Western countries.

[Kazakh Justice Minister Nagashbay Shaykenov] I can confirm M. Dumas's words that this constitution is aimed at being relevant to modern international constitutional standards in the first place, that it is adequately carrying out the principle of the division of powers, and insuring democratic standards in society and the state under a strong presidential form of government, that is, the executive power, and the independence of the judicial system. The main ideas, repeatedly stated by the president in his speeches as regards the role of parliament, of the executive power and statehood, and also the main ideas on legal reform set out in the state legal reform program, have found their reflection there [in the constitution]. [end recording]

Endorses Main Provisions of Constitution

LD1206171795 Moscow INTERFAX in English 1509 GMT 12 Jun 95

[FBIS Transcribed Text] ALMATY, June 12 (INTERFAX) — Kazakh President Nursultan Nazarbayev has endorsed the main provisions of the new constitution and believes that "they meet world standards," Naghashybay Shaykenov, the Kazakh justice minister, told INTERFAX.

Nazarbayev, Roland Dumas, chairman of the Constitutional Council of France, and Shaykenov discussed the constitution draft Monday.

Shaykenov said that the draft provides for democratization of society and state with a strong presidency and that the power sharing between different branches of authority is more clear cut in the new draft than in the existing constitution.

He said that under the draft parliament would be bicameral and that the president's right to disband it is balanced by parliament's right to impeach him.

Shaykenov told INTERFAX that the draft will be submitted to the Assembly of Kazakhstan's Peoples on June 30 and then to a popular debate and referendum.

Chairman Sarsenov on NKPK Progress, Goals

954F2475A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 6 Jun 95 p 2

[Interview with Umurzak Sarsenov, leader of the People's Cooperative Party of Kazakhstan, by Aleksandr Tarakov; place and date not given: "'The NKPK Is a Party With a Social Obligation'"]

[FBIS Translated Text] The constituent congress of the People's Cooperative Party of Kazakhstan [NKPK] was held last December. Its leader is U. Sarsenov, chairman of the Kazakhstan Consumer Cooperative Union. We present our correspondent's interview with him.

[Tarakov] Umurzak Sarsenovich, you were in no hurry, I recall, to make "presentations" in the news media, giving as the reason for this the fact that the party had yet to give an account of itself and that talking about it was somewhat premature. Do you consider that the time has come now, five months later?

[Sarsenov] If you refer to considerable achievements before society, in this respect everything still lies ahead of us. Nonetheless, participating in the preparation and conduct of the referendum, we satisfied ourselves as to the sound cohesion and organizational discipline of the NKPK. There are five registered and three unregistered parties in the republic today. Some of them are equal to the People's Cooperative Party in size. But for some reason or other their representatives were neither heard nor seen in April in the rural heartland, where we were the only ones involved in canvassing.

[Tarakov] So for the NKPK the referendum was a review of its forces?

[Sarsenov] The vertical format of the consumer cooperative system helped, I believe. In this case the party made intelligent use of the existing structure.

[Tarakov] The Consumer Cooperative Union was a state within a state, as it were: a self-sufficing, exclusive sphere and strict centralized management. In Kazakhstan the co-operators have, in addition, formed a party—how is this not a party-administrative system within the framework of the Kazakhstan Consumer Cooperative Union?

[Sarsenov] I have not heard such comparisons but am prepared to accept such parallels with equanimity. The Consumer Cooperative Union of the times of the Union state and the present one are entirely different. Previously any consumer cooperative store would make payments to superior organizations, up to and including Moscow. Consequently, you could, truly, talk about a nationalized structure. But that was in the past. Now, four years after the "gemmation" horizontally, the situation is different. The rayon consumer cooperative union has become the sovereign master on its territory, the oblast consumer cooperative union, on an oblast scale. And there are no payments to superior authorities. It is simply that 19 unions were our founders and pay the head organization the corresponding dues (they are small, incidentally) for representation of their interests in the capital. There are special commissions also. When, as a rule, it comes to lobbying for this issue or the other in ministries and departments. For this there is a separate charge: The market is the market. Or, on the other hand, we organize specific supplies of commodities and obtain commission fees.

The name and the charter of the cooperative union have remained unchanged. But now all our branches operate according to the rules of the market economy.

[Tarakov] Is this harder or does it also have its advantages? More economic freedom, perhaps?

[Sarsenov] A dual judgment could be made here, noting both pluses and minuses. The main problem, however, is that our stores are empty. You cannot explain to everyone that this is not our fault. People express their grievances, through us, to the state.

[Tarakov] Furthermore, the prices in the empty stores are "biting," I should not wonder.

[Sarsenov] Also a difficult question. Some things are cheaper with us, possibly. But the bagman, the street vendor, who brings in merchandise off charter flights and pays no export, import, or customs duty or VAT to the local treasury, is in the most favorable position. His resources turn over far more quickly, which is why his products are cheaper.

We, however, pay all our taxes meticulously and on time. Last year the consumer cooperative system paid into the local treasuries 1.5 billion tenge. No one paid more into the local treasury in the countryside.

You cannot imagine what we could do if we kept just one salesman and dispatched all the rest as "shuttlers." But we want to trade honestly, in accordance with the established rules, and believe that the anarchy in trade will soon come to an end. We pay taxes and wages to temporarily inactive salesmen and do not consider ourselves to be incurring huge losses. What is important is something else: Our employees are not being corrupted by a thirst for easy gain, they are being retained for the consumer cooperative system as specialists.

[Tarakov] Yes, but a strong economy is needed to be able to feed the inactive salesman.

[Sarsenov] The activity of the new management and economic structures that we have established—the Igilik-bank, the Kazkoopinvest investment-finance company, and the recently created Pension Fund—will contribute to the preservation of the consumer cooperatives as an integral system to a large extent.

The Igilik-bank will provide for the funding and lending for expenditure connected with purchases of commodity resources and the development of production facilities and the social infrastructure. With an extensive network of branches and offices throughout the republic, this bank has essentially become the main credit institution in rural localities.

We have joined actively in the process of the denationalization and privatization of state assets. The five investment and privatization funds constituting the Kazkoopinvest have already bought up 60 industrial enterprises, and we own the controlling block of shares in the majority of cases, what is more. The factories that have become corporations include those such as the Akmola Textile and Knitwear Works, the Kostanay Knitwear Factory, the Akmola and Karaganda Shoe Factories, the Zhambyl Tannery, and the Uralsk Fur Works. Since thousands of rural inhabitants— potential raw material suppliers—have become the co-owners of these enterprises, I am sure that they will not be idling away their time for long.

Tackling the problem of the commodity shortage, we are developing foreign trade activity in directed fashion. Thus as of this time the republic Kazkoopvneshtorg association has trade relations with more than 40 countries, including the United States, Germany, Turkey, Switzerland, Britain, Italy, China, and India.

Were we to sum up all the efforts that we are making to survive, I believe that the efficiency factor would be quite high. We have, in any event, a chance not to make any reduction in the number of workers (approximately 200,000 persons), which against the background of the growing unemployment in the country is highly indicative.

We would note, furthermore, that we have relied and continue to rely solely on our own pocketbooks since for the whole time of the "free floating" the National Bank has not lent us either a kopek or a tiyn.

So we have proven our competence. And we will, I hope, fill the shelves: Some things we will produce ourselves, some things we will purchase from our friends and partners.

[Tarakov] Whom do you mean by friends?

[Sarsenov] The consumer cooperative unions of the 12 former republics of the USSR or the International Cooperative Council.

[Tarakov] Is this not an amorphous structure relying, probably, on the institution of cochairmen?

[Sarsenov] The cochairmanship principle was recently dropped. A permanent leader was elected.

[Tarakov] A Russian, we have to assume?

[Sarsenov] No, a Kazakhstani chairman.

[Tarakov] You? So the Kazakhstan Consumer Cooperative Union enjoys authority in the space of the former Union? Could it have been that you were helped by the image of N. Nazarbayev, president of the Republic of Kazakhstan?

[Sarsenov] Perfectly possible. The fact that our president has always aspired to integration and is producing valuable, promising initiatives.... People take this as a reference point, naturally. But I believe that the Kazakhstan Consumer Cooperative Union itself also did not mess up either.

The following fact. People from the Baltic came to us. They took a look, studied our experience, and acknowledged: When it comes to innovations—the creation of new management structures—we are two years behind the Kazakhstani co-operators.

That is, we are held in high regard. Lars Markus, head of the International Cooperative Alliance, for example, distinguishes among the countries of the former socialist camp the co-operators of Bulgaria, Kazakhstan, and Turkmenistan.

[Tarakov] I have understood from your account that the Kazakhstan Consumer Cooperative Union is not standing still: You are accumulating experience. And positive trends are predominant, on the whole. You are on the verge of bringing your economy out of its tailspin, and intra-union discipline has traditionally been strong. Why, then, was a party needed? We began the interview by talking about the NKPK, but switched almost immediately to the Kazakhstan Consumer Cooperative Union....

[Sarsenov] There are three ways of defending the rights and property of the cooperative system. The first is the creation of our own party, which stands on guard of the interests of the co- operators. The second is lobbying for these interests by an influential party. And the third is cooperation with several parties.

When Kazakhstan became a sovereign state and government bureaucrats set about laying their hands on state property, the assets of the consumer cooperative system were not overlooked either—we spent four years in litigation, defending our legitimate rights to them. There was no point turning for assistance to the parties that were operating in the republic at that time, for they had been created not so much to accord with an idea as with the personal attributes of their leaders. This is why we decided to create an organization that would defend our property and the interests of the consumer cooperative system and thereby the interests of rural inhabitants, who constitute half the population of the republic.

I would emphasize: a population that is politically less active than the inhabitants of the capital or the oblast centers. We do not want their votes to go to parties and movements that do not burden themselves with concern for the countryside.

[Tarakov] What do you think now, was this the right step?

[Sarsenov] I believe it was. Although it is premature today to make an assessment of both our organization and other political organizations. The parliamentary elections will sort out the popularity and influence ratings.

[Tarakov] Judging by the rural "representation" and numbers— and your ranks numbered approximately 40,000 by the time of the constituent congress even (it was even joked in this connection that you just had to give the command, and all co-operators would become party members overnight)—you have pretty good chances.

[Sarsenov] We are not after numbers and are putting the emphasis on the qualitative composition. The times when we joined the pioneers en masse as a whole classroom are gone. We need people with conviction.

[Tarakov] I have read the NKPK program. Substantive, modern, and drafted from democratic positions. But I caught myself thinking that it is like the ideological treatises of all the other parties operating here. Perhaps there are some fundamental differences, for all that?

[Sarsenov] Yes, the general provisions of all programs are, truly, similar. Everyone wants to work for the good of the people and to make them united, happy, and wealthy. Everyone is for peace and friendship. But, excuse the candor, these fine and totally nonbinding postulates are merely word play. How our party differs fundamentally is in the fact that it has a social obligation to the rural population. We are an economic structure, which is designed to improve people's life by deed, not by words and clamorous public meetings.

The priorities are as follows: to open stores and fill them with merchandise and start up the plants and factories that have come to a halt. The other parties are not setting themselves such tasks for some reason or other. This is the fundamental difference between us.

[Tarakov] It is interesting that the referendum was a kind of divide between certain party initiatives. On the eve of the announcement of the decision to hold it, communists got in touch with the newspaper—they offered an interview, but subsequently fell silent for some reason or other. Either they felt embarrassment or they considered together with other opposition forces that political calm was setting in in the republic. The NKPK, however, decided upon a publication after the plebiscite.

[Sarsenov] It is said in such cases: To each his own. Some people, possibly, see as the main task the struggle for the presidency. They are entitled to do so. We, however, have different reference points. Our main tasks are defense of the consumer cooperative system and an improvement in the life of the villagers.

Do not, however, think that we are totally devoid of ambition. No, we will still fight. For seats in the representative authorities. In order to advance reforms in the countryside.

We will endeavor to get our sympathizers elected to parliament, but we will put the main emphasis on elections to the councils and assemblies—this is our potential "diocese," this is where the field of strenuous day-to-day activity lies. Our production bays are concentrated here, our social base is here.

Uniting the working people in order to put life and customs on the right track is the highest purpose of the NKPK. The very word "cooperation" implies people's unification. When do people unite? When things are going badly for them. Materially. Morally. Seventy-one years ago the consumer cooperative system united those who were having a particularly hard time of it—the rural poor. Life is no prize for the peasant today either. We honestly and sincerely want to help him.

Kyrgyzstan

Central Asian Cooperation Conference Ends

LD1206134795 Bishkek KYRGYZKABAR in Russian 1226 GMT 12 Jun 95

[FBIS Translated Text] Cholpon Ata — The first Central Asian conference on regional cooperation completed its work here. Representatives of international organizations and the Central Asian states took part in its work.

As a result of the businesslike talks, both the general approaches to the development of the region, where 55 million people live, and the guidelines and mechanisms for the evolution of Central Asia in the 21st century was worked out. The establishment of a center in Almaty for earthquake forecasting and earthquake-proof construction was proposed. A proposal by [Kyrgyz] President Akayev to put the forum held in Issyk-Kul on a regular basis was also considered.

The conference finished its work by passing the Issyk-Kul Declaration.

State Budget Adopted After Heated Debate

LD1306083495 Bishkek KYRGYZKABAR in Russian 1155 GMT 12 Jun 95

[Unattributed article: "At the Session of the Supreme Council. Will the Alcohol Monopoly Help To Bridge the Gaps in the Budget?"]

[FBIS Translated Text] At last, the Kyrgyz Republic has a legal state budget for 1995. On 10 June, after two months of discussion, the Assembly of People's Representatives of the Supreme Council finally approved a law on the republic's budget, and adopted a no less heatedly discussed the resolution on putting this law into action.

According to the majority of deputies, and of the Ministry of Finance itself, the adopted budget, if not actually extraordinary, is at least very tense. And indeed how could the main state financial estimate not be tense, if the republic's economy is today in a state of stagnation? The majority of industrial enterprises are standing idle, while new agricultural producers - peasants and farmers - are just beginning to stand on their own two feet.

However, social programs and obligations still have to be fulfilled. That is why the republic's budget deficit will reach the record-breaking figure of 2,084,300,000 soms this year, which will amount to approximately 12.5-13 percent of the whole volume of Gross Domestic Product. And this at that time when joint action by parliament and the government over the budget allowed a reduction in the deficit by approximately 500 million soms. The larger part of the deficit - 1.3 billion soms - will be covered by foreign credits.

According to the parliamentarians, one of the important reserves which could supplement the state treasury is the introduction of a state monopoly in the sphere of the production, storage and selling of alcohol and alcohol products, what is planned to come into effect from 1 July this year. Other sources of supplementing the state budget include the introduction of a progressive land tax, payments for use of water by economic entities, and share participation jointly with the governments of Kazakhstan and Uzbekistan in financing the operation of the irrigation and power engineering structures of the republic.

"We did everything possible to make the current budget suit all regions of the republic to the greatest extent possible," the speaker of the Chamber of Representatives Almambet Matubraimov told the KABAR correspondent. "You know we represent the territories and the population of all the districts and regions. That is why deputies gave their preference to the project for an equitable, more justified distribution of the budget amongst the regions. It is also very important that we found an additional decent sum of money. In spite of the very difficult economic situation, parliament has found it possible to help agricultural producers and coal-miners. It will be possible to allocate more than 50 million soms to peasants and farmers for paying the land tax, while the coal industry will be subsidized from the budget.

"The budget of course will be very complex and highly tense, although we have virtually sought out all possibilities and reserves to give it maximum improvement. We have taken into consideration the recommendations of the president, government, the Ministry of Finance, the regions and departments. It is bad that the budget was adopted only in mid-year. That is why we have decided to consider the draft budget for 1996 this fall."

Government To Ban Export of Metals

LD1306091995 Moscow ITAR-TASS in English 0743 GMT 13 Jun 95

[By Boris Maynayev]

[FBIS Transcribed Text] BISHKEK, June 13 (ITAR-TASS) — The republican parliament plans to step up control over the export of ferrous and non-ferrous metals from Kyrgyzstan. A decision taken by legislators on Tuesday instructs the government to ban collection, purchase, processing and export of metals by legal and physical persons.

Besides, the government is to submit a bill for parliament's consideration, within three months, regulating all operations with ferrous and non-ferrous metals.

This action is spearheaded at squanderers of the republic's natural resources. Many small and joint ventures, operating in the country, are engaged in collecting scrap or re-exporting it from Russia and Kazakhstan to China.

According to some businessmen, they earned 20 million U.S. dollars in profits for transshipment of Russian metal across Kirghizia.

When neighbouring countries of the Commonwealth of Independent States started raising customs barriers in the way of metals to China via Kirghizia, "new businessmen" started to carry them in passenger coaches, to sneak through police cordons and to detour police posts without roads.

Some of these operations were stopped by Russian border troops guarding the Commonwealth's frontiers, while others — by Kirghiz customs officers. However, knowledgeable people say that the metal riverlet from Kyrgyzstan to China does not die away.

Things went to such lengths that "new businessmen" started to strip coating from heat and gas pipelines, to destroy fencing of parks, transformers, communications and power transmission lines.

Damage from stripping communications and gas pipelines topped 500,000 soms (50,000 dollars) in May alone.

Tajikistan

Butrus-Ghali: Intra-Tajik Talks 'Insignificant'

LD1206202795 Moscow ITAR-TASS in English 2002 GMT 12 Jun 95

[By Boris Sitnikov]

[FBIS Transcribed Text] UNITED NATIONS, June 13 (ITAR-TASS) — U.N. Secretary-General Butrus Butrus-Ghali described the results of the fourth round of the intra-Tajik talks in Almaty as an "insignificant, but positive step to national reconciliation" in his report "On the situation in Tajikistan" submitted into consideration to the Security Council on Monday [12 June]. In this connection he proposed to extend the mandate of the U.N. observer mission in Tajikistan until December 16 and exert its control over north Afghanistan.

To achieve progress in the intra-Tajik settlement Butrus-Ghali urged Tajik President Emomali Rakhmanov and leader of the Tajik opposition to "continue the direct dialogue" that they began in Kabul and that should become a "major mean to establish mutual confidence and search general political settlement."

Karimov on Strengthening Moscow Region Economic Ties

LD1306102595 Dushanbe Radio Tajikistan Network in Russian 0400 GMT 13 Jun 95

[FBIS Translated Text] Very close economic relations are being planned with the Moscow region and Moscow city. Prime Minister Jamshed Karimov of Tajikistan talked about this in an interview with our correspondent.

[Begin Karimov recording] We intend to move side by side from medium-term and short-term agreements to long-term agreements. We are carrying out this work on mutually beneficial terms.

A concrete example of this mutual cooperation is the preparation of two agreements — one with Moscow region and another we have already prepared with Moscow city. We hope that we will sign agreements with Mr. (Tezhelov), head of the Moscow region administration, and with Mr. Luzhkov, mayor of Moscow city, this month. We have that kind of accord.

Moreover, at present a number of documents are being prepared and signed to open a new page in our relations, because Vladimir Ivanovich Kozyrev signed an agreement with our Gosprom [State Industry Committee] on mutual deliveries between the enterprises of Tajikistan and the Moscow region.

At the same time, we agreed that at the end of this month there will be a meeting between Tajik government leaders and the heads of the commercial and industrial institutions of the two countries. We do not know yet where this will take place, in Tajikistan or in Russia. We have asked to hold it in Tajikistan. We have already formed an industrial-financial group for the meeting. This is necessary not only so that we can carry out an exchange of goods, but also — and this is the main thing — so that we can ensure the transfer of payments between our structures, which are in two different independent states. [end recording]

Minister: Cross-Border Drug Trade Expanding

LD1206140595 Moscow INTERFAX in English 1211 GMT 12 Jun 95

[FBIS Transcribed Text] DUSHANBE, June 12 (INTERFAX) — The Tajik Deputy Security Minister Major-General Shamsullo Jobirov has told INTERFAX that lately fields under opium poppy and Indian hemp have grown considerably. Besides, drug trafficking across the Tajik-Afghan border is expanding.

In the traditional drug-producing region Penjikent in 1994 law enforcement bodies destroyed poppy plantations over 400 hectares which is much more than during previous years. Jobirov thinks that plantations were also boosted in neighboring Aini, Jilikul, Pyandzh, Kobadien and other regions.

According to the general, law enforcement bodies are planning a regular Poppy-95 operation to combat drug trade in the nearest future. Troops as well as the police will be involved.

While in 1994 the maximum catch of drugs was 60 kilos, last month 367 kilos of raw opium were seized on the border with Afghanistan on one occasion. The general said that the efficiency of anti-drug efforts is far below international standards.

According to the general, practically all sections of the population, especially in Gorno Badakhshan, are involved in drug trade. He said this business remains a risky but only source of making a living there.

Anti-Drug Sweep Under Way in Republic

LD1306090495 Moscow ITAR-TASS in English 0833 GMT 13 Jun 95

[By Igor Akhmedov]

[FBIS Transcribed Text] DUSHANBE, June 13 (ITAR-TASS) - About two thousand shrubs of opium poppy were discovered on the private plot, belonging to a collective farmer in the Tajik district of Penjikent during a police operation, code-named "Poppy-95", which is now under way in the republic, officials of the press centre of the Tajik Interior Ministry stated here today.

The cultivation of opium poppy and Indian hemp has become a profitable business, allowing many local residents to make a living. More than 200,000 poppy shrubs were confiscated and destroyed in the course of this operation.

The Tajik police notes that they had to resort to firearms more frequently this season than in the past. A four-man gang, transporting drugs, was arrested in Dushanbe three days ago. A police major was wounded during the shoot-out.

Interior Minister Salimov Interviewed

LD1206191495 Dushanbe Radio Tajikistan Network in Tajik 1450 GMT 10 Jun 95

[Studio interview with Major General Yaqubjon Salimov, interior minister, by unidentified correspondents, with questions phoned in from radio and television audience — live]

[FBIS Translated Excerpt] [passage omitted] [Correspondent] As we know, the fourth round of inter-Tajik talks was recently held in Almaty. It is rumored that the opposition side demanded that political prisoners should be pardoned or exchanged. What is your opinion on this opposition proposal?

[Salimov] [passage omitted] It has been rightly said today that at the talks that were held in Almaty, Tehran, and Islamabad a great deal was said about political prisoners, in other words, the people who have committed crimes against their nation. I would like to know how those who make this kind of proposal understand the term political prisoner, because as far as I, as interior minister, am informed, we have not instituted criminal proceedings against anyone due to their political persuasion alone. We have instituted proceedings against criminals for the crimes they have committed against the people and the homeland, for the killing of innocent people, for robbery, theft, and highway robbery, regardless of their persuasion and regardless of what party they belong to.

Whatever country of the world the people of this kind are located in, they will not be pardoned. There can be no salvation for a state that forgives such criminals. [passage omitted]

I would like to mention one thing here. After we detained this group [not further specified] some opposition leaders said we had detained their innocent supporters. A UN representative came and we gave them a chance to talk with the detainees in the presence of opposition representatives. After this conversation even the UN representatives said openly that these men were quite guilty, and that no international law or organization could exonerate them. [passage omitted]

There is one point that I particularly want to mention. Many of those who were detained or tried were released after the amnesty was announced, but they did not draw the right conclusions from this positive gesture, and went on to commit grave crimes. I consider that applying amnesties to these hard-hearted and ruthless people does not benefit the people. It is to the detriment of the country. [passage omitted]

[Correspondent] Esteemed minister, would you please express your views, as the interior minister of Tajikistan, on the security situation in the capital of our country — the city of Dushanbe — and generally on the security situation of residents all over the republic.

[Salimov] I would like to say that today, although talks have been held in Iran, Islamabad, and Almaty, the words of these people...[pauses] Words are one thing, deeds are another. They call all of us, you and me, to peace and accord, but their terrorist groups...[pauses] It is a pity that they refer to themselves and their origins as Muslim. They send their terrorist groups to Dushanbe and to other towns and districts of Tajikistan and carry out anti-government operations, as well as committing grave crimes against the homeland and their nation. I think these kinds of commanders, beginning with Haji Akbar Turajonzoda — I repeat, beginning with Turajonzoda — and other commanders, and those commanders in other Islamic countries who support them, want to overthrow the Tajik nation. Their plots will not succeed today.

They should not think that today they have exterminated Sangaki [pro-government Popular Front leader during 1992 civil war], Fayzali, Langari [Popular Front field commanders], and Davlatali [pro-government south Tajik journalist] who called on all our people to unite, night and day on television. I think that the homeland and the nation will never forgive them for all the crimes they are committing against the people and homeland.

I will say once again that if we today remember our nation, country, and history, and our ancestors, and those thousands of years during which our long-suffering small nation was oppressed by the Mangits and their followers, the Mongols, those people who overthrew and oppressed our people for thousands of years...[pauses] The great Rudaki [Persian poet], while developing his creative powers, witnessed all of this. If they want to oppress the Tajik people today through the agency of Arabs, Afghans, Mongols, and the Mangits, then we will not allow it. [passage omitted]

I want to say that the Tajik nation is a great nation. Every resident, every fellow-countryman, every Tajik or resident of Tajikistan who is outside the border of Tajikistan — we will do whatever we can to return them to their country. Today, if we say that 5.5 million people live in our country, then 3.5 million of them are Tajiks, 500,000 of whom became refugees or were killed, leaving 3 million in Tajikistan. There are 6 million of them in the fraternal Republic of Uzbekistan: 6 million. And there are 7.5 million in the Republic or the Islamic State of Afghanistan. But, because we are not united, are not like-minded, only 3 million of us live in the Tajik state, in the country in which we want to unite all Tajiks today. [passage omitted]

I call on all those Tajiks, the citizens of Tajikistan who have a drop of young blood and manliness, a little Tajik shame and honor: Let us brothers unite together! Let us try to regain the land of the Tajiks, the land of the Samanids, in order to be able once again to hold our heads high and say that we are Tajiks!

I would like all our children and fellow-countrymen who are today outside our borders to think once more, to think about this. Our heads are as worthless as the dust at your feet. Come back. Put aside this politicking. Leave those people who are striving for high office and position, and are using all their effort and their personality and whatever they have to climb higher and higher, not for the sake of the nation, the existence, or the history of this country.

[Correspondent] Esteemed Yaqubjon Karimovich, with your permission, after your comments, words truly fail me. If there is anything else you would like to tell our respected television viewers and our dear compatriots, please do so. All Tajik citizens, wherever they may be in Tajikistan, after listening to your comments, which came from deep within your heart, will come to their senses.

[Salimov] [passage omitted] I want to call on Tajikistan, all Tajik and citizens of Tajikistan, to put aside arms and ammunition so that we together might put all our problems behind us, and whatever else, at the negotiation table. Come back, understand each other, embrace each other in order to create a great state of Tajiks! [passage omitted]

Armenia

U.S. Influence on Government Criticized

NC1206203395 Yerevan SNARK in English
1418 GMT 12 Jun 95

[FBIS Transcribed Text] Yerevan, June 12 (SNARK) — "Armenia is governed by the U.S. Ambassador, whose actions are slightly corrected by the Russian Ambassador", Igor Muradyan, the leader of West-Armenian club 'Zharang' [Heritage], announced today at a press conference organized by the 'Azgayin Dashink-Dashnaktsutyun' pre-election bloc.

The leaders regarded the rejection of the Central Election Committee to register their bloc as illegal and said this was actually a ban of ideology. Armenia may either exist as a nationalist republic, or not to exist at all, stated Muradian. A liberal-totalitarian regime is set up in the republic, he said, assisted by the so-called 'influence agents'. The regime is taking Armenia along the road of colonial development, stated the bloc leaders.

President Presents Election Platform of Ruling Bloc

NC1206175795 Yerevan NOYAN TAPAN in English
1139 GMT 10 Jun 95

["Levon Ter-Petrosyan's Speech at Consultation Dedicated to Presentation of Pre-Election Program of 'Hanrapetutyun' Bloc"—NOYAN TAPAN headline]

[FBIS Transcribed Text] 09/06/95 NOYAN TAPAN — "...Armenia has a reputation, especially abroad, of a serious, responsible country insured against unpleasant surprises. Unfortunately, the estimation inside the country does not coincide with that abroad," the President said.

The President "pointed out with a heavy heart that the majority of our people, displaying respect and faith towards foreign countries, at the same time treats their own one the other way around."

The authorities' task during the past 5 years were characterized by the President the following way: "Not to find ourselves in ruins of the collapsing empire, to minimize the shock and damage appearing as a result of break-up of any country."

And unlike many countries of the former USSR and Yugoslavia Armenia has suffered minimal losses while passing this dangerous period of time. The President is sure that if this honorably done work is not appreciated at its true value today, later on it will be considered as the greatest achievement of the current authorities.

Speaking on pre-election program of the "Hanrapetutyun" bloc, Levon Ter-Petrosyan congratulated those present with such a concrete program brought for electors' choice. According to him, the program implies "no prescriptions for saving the nation", pompous ideological mottoes like "world nation", "nation-state", "Armenia from sea to sea" and other so-called "national tasks". At the same time the program is fully aimed at solution of the only national task — formation of an independent statehood which, being a vital task today, remains so in the near future.

The President pointed out that the ruling power did not promise miracles to the people. Such promises, as a rule, helm towards the worst — towards the ruin of the people as it was in case of Gamsakhurdia, Elchibey and others.

"We, promising no prodigy to our people, are able to promise only one thing: to do better the things we have done and to multiply our achievements," the Armenian President said.

According to Levon Ter-Petrosyan, Armenia has passed through a period of serious ordeals, and it is not sufficient today to appear before the people as a rescuer from the debris of the past.

"It is significant to avert transferring the power to forces which can repeat the perilous period," he noted.

"That is enough. Our people is exhausted with fatigue and needs tranquil life, prosperity for families, safety for children and peace. And ordeals mean a new chaos, new blockades, new discords with neighbors and the resumption of the Karabakh war," the President said.

He expresses confidence that if the people made the wrong choice, because of its cool attitude towards the authorities, all the above-mentioned ordeals would become a reality.

"Our program and activities provide stability, relaxation of nervousness of the people, a slow but methodical improvement of social conditions, steady and thorough implementation of economic reforms," the President stated. "We guarantee the improvement of relations with all our neighbors without exception because we realize that no matter how deeply we are involved in the international security system and what kind of relations we have with all the countries of the world our independent existence and security are first of all ensured by normal relations with our neighbors. And if there are good relations, we will have independent state forever, otherwise we will perish like in 1918-1920."

In the course of 5 years certain progress took place also in the sphere of state building as well as in the process of establishment of institutes of democracy, in the sphere of economic reforms and juridical field. However, in

President's opinion, these are only external manifestations. These improvements to a great extent depend on subjective factors. Altering the current leaders we jeopardize everything. We have got no formed society and state yet. Five more years at power will enable the current authorities to make the above-mentioned improvements irreversible, to make them so not to depend upon the whim of a separate person, on the policy of separate parties.

Levon Ter-Petrosian voiced confidence that on the day of referendum "the people will say 'Yes' to our Constitution and there will be the same atmosphere on that day as during the referendum on Independence of September 21, 1991."

Election Arrangements Disenfranchise Refugees

MM1306092295 Moscow PRAVDA in Russian
10 Jun 95 p 2

[Report by Boris Mkrtchyan: "Central Electoral Commission's Whims"]

[FBIS Translated Text] Yerevan — The "National Progress" sociopolitical organization has filed charges with a Yerevan court against the Central Electoral Commission [CEC], which is handling the elections to the National Assembly and conducting the referendum on the new Armenian Constitution.

The CEC is banning those citizens from the former USSR who do not hold a permanent Armenian residency permit from being included on the electoral rolls. However, the Law on Elections says outright that everyone who has been living in the republic at a fixed address for at least six months has the right to vote. The law does not say anything about permanent residency.

Kh. Stamboltsyan, chairman of the republic's Supreme Council permanent commission for the disaster zone and refugees, considers this a bid to disfranchise over 100,000 people who would unequivocally vote "No" to the proposed draft Constitution.

Refugees from Azerbaijan have been living in Armenia for over seven years now. They represent the most needy section of the republic's impoverished population and are only just managing to survive. The overwhelming majority of refugees do not hold a permanent residence permit. They are naturally extremely unhappy with the authorities and will hardly vote for the ruling party's candidates and the draft Constitution.

Party Election Campaign Activities Viewed

954F2469A Yerevan GOLOS ARMENII in Russian
30 May 95 pp 1-2

[Article by N.M.: "Demonstration Activity Flares Up With New Force"]

[FBIS Translated Text] Every vegetable has its growing season. It would seem that the demonstration activity that had been dying down (as the mouthpiece of the official authority asserted with fiendish delight) has now flared up with new force. Last Friday Theater Square was once again filled with people, none of whom it seemed came simply to show themselves or look around. The long absence of approving exclamations, raised hands, and applause was being paid back with interest. There was more than enough of it here—and no better gauge of the people's activity has yet been invented. But this fact will most likely not prevent ARMENPRESS from hurriedly whipping up another lampoon, despite the fact that disinformation is supposed to be within the purview of another department. The appeal to journalists of demonstration organizer Aramazd Zakaryan not to sell out to the authorities and to tell only the truth—will probably not be heeded by all. It is for this reason that we decided to publish a detailed report on the demonstration.

No—to the AOD [Armenian Pannational Movement] and Levon's Constitution

The opposition, as we know, has no access to television. And the authorities take advantage of this most powerful agitation and propaganda medium solely to pursue their own objectives. Especially now when they so critically need to push through their Constitution by hook or by crook. The meeting square remains the only forum available to the opposition, and boring theoretical dissertation clearly does not fit the genre. The rules of a different game come into play here. Ruben Akopyan, for example, put the question this way: Must the mayor of Yerevan be elected or should he be appointed by the president? Demonstration participants unanimously approved the first alternative, of course, which never found its way into the draft Constitution. You can draw your own conclusions, as they say.

Opposition parties, incidentally, have already reached their conclusion. As Paruyr Ayrikyan stated at the demonstration, nine political organizations—the Communist Party among them—have signed a document calling for people to "say no to the AOD and Levon's Constitution" and cast their votes only for those candidates for deputy who would be professional parliamentarians. All the others are characterized as open or disguised vassals of the authority racing for the National

Assembly only to be able to shore up the regime of Levon Ter-Petrosyan. The objective is more than clear, although we can in no way be certain that all state ministers and other officials will not suddenly assert that they have dreamed about being a lawmaker ever since childhood. After all, saying one thing and doing another has long been the main guideline of our statesmen, and it is now urgently necessary to find a strong antidote to their blatant hypocrisy.

They Do Not Believe the President

Levon Ter-Petrosyan and the official mass media he controls have done everything in their power in the last few days to dupe the public, instilling in them the idea that dealing with the ARF Dashnaktsutyun [Armenian Revolutionary Federation (Dashnak)] is tantamount to dealing with a gang of terrorists, murderers, and fascists. The people are reproached for being apathetic and not following right behind the president in condemning, destroying, and pulverizing the Dashnaks purely on the basis that this is what genetic Dashnakophobe Levon Ter-Petrosyan desires.

Such was the situation prior to last Friday. But at the demonstration, the tens of thousands of people gathered in the square joined the speakers in evaluating the president's unprecedented demarche in their own unique way. When it was announced that the Dashnaktsutyun Party representative was about to speak, the square erupted in stormy applause. A clearer expression of the opinion of the majority could hardly have been expected.

As far as the judgments resounding from the lips of the speakers are concerned—these were sharp in tone and expressed a single thought: In his yearning for absolute power, the president was now attempting to physically destroy those who did not agree with him in the slightest matter. For him the law is not sacred, and democracy is an empty word. The police regime is being replaced by a totalitarian figure whose first victims are already dying in prison.

Foreigners Apparently In Shock

On the eve of the demonstration in Armenia, a singular instance of divulgence of state secrets was recorded when the newspaper RESPUBLIKA ARMENIYA published the transcript of a conversation between Ashot Manucharyan, the president's former national security adviser, and a certain American diplomat. And since the betrayal of national interests on such a level could issue only from the president, as Manucharyan himself believes, we can expect that the president's former comrades-in-arms will continue to commit great follies, sacrificing more than one state secret for the sake of settling personal accounts. Manucharyan, incidentally, refused to provide any commentary on the RESPUBLIKA ARMENIYA article on the basis that he did not want to be likened to a traitor to the interests of the Motherland—the president.

But if we put everything personal aside, this incident is indeed unprecedented. Foreign states and their diplomatic representations in Armenia are presently, in all likelihood, experiencing panic and fear. No one has any guarantee that God-knows-what kind of document will not float to the surface tomorrow, because of some unrestrained craving on the part of the president to dispose of his political enemies, a document which should not be mentioned, let alone published. Levon Ter-Petrosyan has proven that he is prepared to do this for the sake of his own personal gain.

Dro—A Pro-West Special Service?

Before dealing with this question, let us try to understand why it is precisely at this time that the president decided to dispose of Manucharyan at such a high price to the state.

We need not ponder too long on this matter. Manucharyan promised at a previous demonstration to discuss the true essence of Dro. Since the president had already stressed many times that Dro was a purely Dashnak structure and had organized the entire election campaign of his party around this crude postulate, he became frightened in the belief that his house of marked cards would collapse. Manucharyan had been damaging the regime for almost two years now, but until recently no action was taken against him. Now that state secrets had even come to be involved, it was a matter of honor for the president to condemn Dro, and on this basis—Dashnaktsutyun. It is on this foundation that he could build his absolute power of tomorrow—only after destroying his chief political rival would it be easy to dispose of the others.

Manucharyan more than fulfilled the promise he gave during the prior demonstration. Moreover, the statement he issued has acquired the force of a political sensation. In short, the substance of his disclosure comes down to the following.

Yes, the Dro organization existed. Yes, there were indeed Dashnaks in its ranks along with others. Yes, Dro was involved in certain murders. But the Dashnaktsutyun Party and its leadership had nothing to do with any of this. Manucharyan believes the organization was created by Western special services pursuing the objective of completely isolating Armenia from Russia and sowing anti-Russian sentiment here. The majority of the organization's members—mainly romanticist patriots believing their work was for the benefit of the Motherland—were unaware of this super-objective, however.

In Manucharyan's opinion, even if the Dro organization did penetrate Dashnaktsutyun, it was not to the extent that it penetrated state structures. The Ministry of Internal Affairs finds itself under the greatest influence of this organization. Manucharyan cited as proof the similarity between Dro's ideological postulates, published by the authorities incidentally, and fundamental statements made by Minister of Internal Affairs Vano Siradegyan in last year's interview that caused such a stir. Following such conclusions, it would be logical to expect a new interpretation of a whole series of old and recent contract murders. Manucharyan did not touch upon this topic, however.

We are awaiting the next demonstration.

Eight political parties of Armenia—ONS-Kh [National Self-Determination Association—Christian-ocrats], SKN [Union for Constitutional Law], DPA [Democratic Party of Armenia], KPA [Armenian Communist Party], NDS [National Democratic Union], NPGS [Scientific-Industrial and Civic Union], NP [National Progress], and Azgani Petutyun—have issued a joint preelection statement, which reads in part:

1. It is the duty of every citizen to participate 5 July in the referendum on the Constitution and in the elections to the National Assembly.

2. To say "No" to the present draft Constitution.

3. To realistically appraise the activity of the current authority, and say "No" on 5 July to AOD representatives and AOD "companions" from the preelection bloc Anrapetutyun.

4. To vote only for those parties and their representatives who have agreed to work in the National Assembly on a professional basis.

Party Official Outlines NPGS Platform

954F2512A Yerevan GOLOS ARMENII in Russian 8 Jun 95 p 2

[Professor Suren Zolyan, member of the board of the Scientific-Industrial and Civic Union of Armenia (NPGS), response to questions of an election survey prepared by Marina Grigoryan: "NPGS: Hope for a Coalition"]

[FBIS Translated Text] 1. Your main complaints about the present authorities?

2. How does the program of your party differ from that of other parties and blocs?

3. What do you promise and what can you not promise the electorate?

1. The main complaint about the authorities is that the citizens of Armenia are not in a position by their labor to secure for themselves a decent life. This applies to people on the public payroll, in agriculture, and employed in private enterprise and is connected with the existence of "shadow" structures controlling economic life and impeding the development of production in all spheres, agrarian included. To secure the conditions for the development of the economy fundamental political changes, primarily the ridding of the economy of the "shadow" ballast causing so distorted a picture, are essential.

The second aspect of the problem is the observance of human rights. This topic is not connected with the economic sphere, it might seem, but anyone who is involved in human rights in one way or another knows full well how closely interconnected these questions are. Respect for the citizen, his rights, and his political, civil, and economic liberties constitutes a single complex, without assurance of which the development of production is impossible inasmuch as there will always be criminal elements (they may or may not be a part of the state structures) laying claim to what has been earned by honest labor.

2. The particular feature of our organization is that it is nonparty, and for this reason we are making general demands, which, possibly, will be supported by others also. We believe that first and foremost it is necessary to form a new government, in which various political forces assume responsibility for the resolution of the problems in respect to which they have programs. It is in this sense that we understand a government of national accord, which is within two or three years to have implemented a set of measures in conjunction with parliament in industry, agriculture, and the social, scientific-educational, and cultural spheres.

These specific measures are to secure, first, the present—the development of production—and, second, the future—the development of science and education. And we regard the scientific-educational sphere, what is more, as a priority, considering that the principle of the "residual" nature of funding that exists now is inapplicable here. On the contrary, investing the main resources in this sphere today, we will acquire a competitive economy tomorrow.

3. This will depend on how the elections go for the formation of parliament is, after all, only the first stage. Much will depend also on the question of the constitution, where our position is as follows: We propose that all that is most valuable in the draft be

retained, the controversial points having been dropped—either they could be put to a referendum or their resolution could be attempted in some other way. Unfortunately, this approach has been rejected, and for this reason we are having to call for a vote against this draft constitution.

Inasmuch as we are hoping for a coalition, much will depend on who our partners are and on whether we have any at all. We can promise that we will defend our principles, as mentioned above. Specific steps will depend on the alignment of forces in parliament. But I would like to observe that, according to the current laws, parliament is not entitled to form the government, so the start of its work will show to what extent all of this is feasible at the parliamentary level. If the president heeds the call for the creation of a government of national accord, this would, from our viewpoint, be a very constructive step. If, on the other hand, this does not happen, we will be forced to rectify the mistakes which, in our view, harm both society as a whole and the development of science and production.

Manukyan on National Democratic Union Plan

954F2500A Yerevan GOLOS ARMENII in Russian 6 Jun 95 p 2

[Answers to GOLOS ARMENII questions by Vazgen Manukyan, chairman of the National Democratic Union of Armenia, prepared by Marina Grigoryan: "National Democratic Union: The Goal Is Achievement of the Armenian Dream"]

[FBIS Translated Text] A month remains until 5 July—the day of elections to the National Assembly of the Republic of Armenia and the referendum on the constitution, a day that will largely determine the path of our country's further development. The political struggle is intensifying by the day, at times transgressing the permissible limits, and there is no doubt that in the coming month this process will accelerate.

As we know, approximately two dozen political blocs, parties, and organizations have presented their lists for participation in the elections. It is sometimes difficult for the ordinary constituent to comprehend the particular features of each political force and to conclusively determine his predilections. In order to help readers make the right choice GOLOS ARMENII is starting the publication of answers to a kind of survey of leaders of the main parties and blocs. We propose that they answer three of our questions.

1. Your main complaints about the present authorities?

2. What are the main differences between the program of your party (bloc) and the others?

3. What do you promise and what can you not promise the electorate?

Vazgen Manukyan, chairman of the National Democratic Union of Armenia, answers GOLOS ARMENII's questions.

1. The main complaints that our party makes about the present authorities are the following: qualification of the rights of our fellow citizens, which they have won by their struggle as of 1988; reliance not on the people but on the power and criminal structures; a dismissive, arrogant attitude toward their own people. Taken all together, this has led to the creation of an atmosphere in which the development of Armenia—in the economic or social or military plane, not to mention science, culture, and art—becomes impossible.

2. Before switching to the program of the NDS [National Democratic Union] proper, I have to say that I attach more importance to the people representing the program than what is written on paper. We have seen a multitude of correct programs, behind which, however, have been people who have subsequently vulgarized them.

Behind our program are people who are well known to the nation by their constant speeches in parliament and at public meetings. They are Arshak Sadoyan, David Vardanyan, Shavarsh Kocharyan, Seyran Avakyan, Semen Bagdasaryan, and many others. There are also people in our party with experience of work in the executive structures, and this is one further indicator by which the voter may judge the NDS.

A comparison of the program of our party with others is somewhat difficult—it is easier to compare two parties than to find how one differs from all the rest. The main idea forming the basis of the program of the National Democratic Union may be formulated as follows.

Under the power of other states for centuries, our people have been united not only by the factor of residence on their own land, language, and culture, they have also been united by the Armenian dream. Of what precisely does it consist?

Primarily of the restoration of the statehood of Armenia and entry into the historical arena as a strong state and strong nation which is capable of giving the world much and itself learning much. The people have always dreamed of the right to live freely in their own state, be reliably defended, and have every opportunity for personal prosperity and service of the motherland. They have dreamed of living amid their national traditions and customs and their material values.

It is the achievement of the Armenian dream that our party sets as its goal. It can be imagined on this basis how we view Armenia's internal arrangement. In addition, the numerous instances of oppression to which our people have been subjected and the 1915 tragedy have scattered Armenians throughout the world, and this factor also could and should be used effectively in the cooperation and competition of different nations, which Armenia should join also. The diaspora should not become for us a donor, on the contrary, the state should endeavor to strengthen it and contribute to the political and economic upturn of the diaspora, promoting in every way its preservation of its Armenianism, language, and religion.

One key concept—liberty—is becoming a most important factor in the rivalry of the peoples in the field of science, culture, and the creation of new technology. An unfree society will inevitably lag behind others in its development. The creation of a free society based on our national ethical priorities is highly important for us, therefore.

3. The NDS believes that it is essential to replace the present authorities of Armenia constitutionally. But in the event of us winning the elections, we by no means promise that by the waving of a magic wand everyone will immediately be content with everything—this will take both tremendous work and time. But we can promise the electorate an atmosphere of implacability toward crime and malfeasance and the creation of opportunities for the people to walk hand in hand with the authorities in the same direction. Such an atmosphere would create optimism and confidence in the future and make it possible to resolve more rapidly the economic and social problems confronting us. After all, the economy means not only programs and calculations. A very great deal will depend also on people's attitude toward their work and on how far they are inspired and confident that they are working for the good of themselves and their motherland.

A just and free society, where prosperity is alone possible—this is what I can promise the electorate.

Prime Minister's Monetary Policies Scored

954F2513A Yerevan GOLOS ARMENII in Russian 8 Jun 95 pp 1-3

[Part IV of article by Yuriy Grigoryan: "Grant Bagratyan's Conjuring Act"; previous installments not translated or unavailable to FBIS]

[FBIS Translated Text] Whatever the government does, whatever it achieves, there will always be know-it-alls who try to sow doubt as to the results, to the purpose, and to the means. Toiling indefatigably, the premier and his team, particularly Bagram Asatryan, leader of the Central Bank, are working on the stabilization of the value of the dram, have maintained it for almost a year, and are lowering inflation, and the opposition smiles ironically—at the expense of what? Or makes itself out to be simple-minded and asks: To what end? The last question is simply outrageous, for the whole world knows that inflation is bad, and stability, good. Many examples with the clear correspondence: lowering of inflation—economic upturn, could be cited. But the opponents persist—the other way about, perhaps? For there are, after all, instances that absolutely do not fit within the connection quoted. In Brazil average annual inflation in the 1960's-1970's constituted 38.7 percent, which was far higher than in Argentina, India, and countries with moderate inflation (2-4 percent). But just as superior was the indicator of growth of GNP (5 percent against 4.1, 3.2, and 4.9 percent respectively). In addition, some economists maintain that the anti-inflation measures recommended by the IMF led in those same years in Latin America to recession and increased unemployment. The question makes sense, apparently.

The Monetary Games Are Proving More and More Costly

The premier spoke at the news conference in a somewhat different key also. The stable rate of the dram is a synthetic indicator of the result of government policy, that is, an effect. I would identify with the government completely had there been definite mention of the secondary and tertiary nature of the effect not simply of policy but of the economic state of the republic. But when we learn from the government program that as of June 1994 (the most auspicious period) the sale of foreign currency on the market has each month constituted $2.6-3 million and that foreign credit has been used also, inflation and the rate of the dram would appear to be the object of policy proper. Consequently, in the premier's thinking, they still serve as a lever, a cause, not an effect, of an improvement in the economy. The question "to what end" holds good.

It is impossible to give any unambiguous answer as regards the correlation of inflation and production. Attention may be focused on the influence of the excess of demand over supply and a conclusion drawn as to the stimulation of production, which has, generally, occurred in a number of countries with moderate, creeping inflation. A causal chain leading to hyperinflation and a decline in production, which has occurred also, may be constructed. The most varied trends and manifestations, which merely in the resultant reveal which precisely is prevalent in the given specific society, may be reflected simultaneously in manifold reality. Similar reasoning is applicable to the price of the dram also.

Japan is horrified by the revaluation of the yen. The United States at one time dumped gold to keep the dollar from devaluing. Economists usually sin in the argument, and frequently outside of it also, by highlighting one—preferable or desirable—interconnection. Reality is much more complex. But to make the stabilization of the rate of exchange or the suppression of inflation as an absolutized goal as a premise of economic policy is patently erroneous. The effect could prove to be the opposite of what is intended and could, as a result, require even greater resources for the same goal.

Here are several inauspicious scenarios, very close to what we have, incidentally. *In order to whip inflation, you hold down demand,* but thereby distort and constrict market requirements, disrupt local commodity production, and increase the inflation differential, and are forced to suppress demand even more, and this is not limitless. For the sake of the stability of the national currency you confiscate the foreign currency obtained as a result of exports, depriving these enterprises of funds for depreciation, modernization, and the expansion of imported equipment, causing a deterioration in net exports, and increasing the trade deficit. Or by artificially increasing the rate and maintaining it, despite the continuing inflation, you significantly increase production costs and raise the price of export commodities with the same consequences. Unless the main causes of inflation are ascertained and work in the appropriate direction performed, instead of there being benefits, only harm can be done. Specifically, has our economy derived any benefit from the rate of the dram, which has been maintained for over a year? Private investments have not increased, nor has there been a serious jump in production brought about by the stability of the exchange rate.

But inflation has continued. Consequently, those same commodities in dollar terms are also increasing in price, and we have been forced to spend increasingly more foreign currency on them. Retail commodity turnover in comparable prices has even diminished somewhat compared with 1993. Bearing in mind the negligible growth in our own consumer product, it may be maintained that the physical volume of consumer goods for export has not increased, noticeably, in any event, the adverse trade balance, on the other hand, has grown several times over. Whom are we feeding with the hard-earned dollars? The monetary games with their effects will prove increasingly costly for all of us.

The main anti-inflation factors and the factors that have brought about a stabilization of the price of the dram, in my view, are the extremely low wages, the foreign currency and commodity assistance, the delays in funding, agricultural production, and currency intervention. Understanding that such are not put down to his credit, Mr. Bagratyan parades different, only pleasant, aspects.

First, the stabilization of production and the slight growth. Growth is so slight that the fleas' efforts of a 6.9 percent increase in industrial output could be obscured completely by the 1,800 percent inflation in the period of December 1993 through December 1994 (official figures).

Second, the growth of exports of almost 22-23 percent. It is interesting that for the sake of a sparkling effect the economist "forgets" when estimating inflation to take account of net exports, not exports in themselves. Otherwise the picture would be distorted. In January-November 1994 imports increased 42.6 percent or by $84.7409 million. The adverse trade balance constituted approximately $224 million, which was higher by a factor of 2.4 compared with 1993. Not counting humanitarian assistance, net exports equaled minus $130.6415 million. Compare the increase in industrial output (6.9 percent constitutes 5.935 billion dram, that is, approximately $19 million, allowing for a percentage of disposal of $12 million and a percentage of exports of $6.6 million) with the absolute value of the increase in adverse net exports ($130.3 million).

Third, the premier's greatest pride is the mechanism of fixation of commodities for export, thanks to which 70-80 percent of currency revenue has accumulated in the banks. The effect has once again proved negligible in the face of the currency deficit in trade. The compulsory sale of hard currency gave the Central Bank $6.2 million and 1 billion rubles, which were put onto the market. This sum migrated into the hands of importers and exerted no influence on the value of net exports.

The fixation mechanism is of interest for another reason. Owing to their technical backwardness, engineering clumsiness, and some unappealing qualities, our banks simply have not become a confidential, profitable, or desirable intermediary in monetary transactions. Huge flows of currency resources are transferred to people's pockets, bypassing the banks. It is hard to attract money on a market basis, it is far simpler to make use of methods of times of not so long since. The Central Bank has repeatedly demonstrated its commitment to power solutions, for that matter. We well remember the campaign it conducted against the banks that had established a high deposit interest rate, following the distinctive advertising of some of them, what is more. I do not know who gained ultimately. But it is a fact that, failing to find an intelligent solution, a blow was struck not only at the entrepreneurs but at the depositors also. The tremendous volume (90 percent) of cash in circulation best characterizes the work of the Central Bank, which has become unduly preoccupied with a demonstration of its power, to the extent that it has forgotten its primary function.

A prevalent method of demagogy is the concealment of quantitative anomalies by quality factors. Has there been a growth of production? According to the returns, yes. So we are successfully lowering inflation. It is immaterial that the addition is negligible and cannot cover even one-twentieth merely of the foreign trade deficit. Has there been an increase in exports? Yes, but the growth of imports has been much bigger. Are we collecting foreign currency from the exporters? We are, but the bottom line is not showing any improvement on account of this. The premier is prepared to talk about whatever you like, only not about the true causes of the stability of the dram.

I shall cite several indicators. Overall retail commodity turnover in January-February 1994 constituted more than 55 billion drams (it declined, incidentally, in comparable prices compared with the same period of 1993, which, considering the consumer distribution, also testifies to a deterioration in the well-being of society). The total volume of paid services was 35 billion drams. At the same time, on the other hand, personal income was approximately 35 billion drams, expenditure, fewer than 30 billion drams. The difference of 60 billion drams, approximately $150-170 million, is covered, it has to be assumed, mostly by assistance via private channels. A contribution tens of times greater than the effect of the achievements reported by the premier. Were it not for this support, things would have reached the point of social explosion long ago.

Of inestimable benefit to the stability of the dram and the curbing of inflationary processes are the extremely low disbursements to the public, which are, furthermore, actually reduced by the frequent delays in funding. Were they to be raised such that per capita income were comparable if only with the Ethiopian level, increased twofold, that is, the increased money supply would undoubtedly cause price rises. Foreign handouts and the super-tolerance of the people—these are what the ungrateful members of the government should be extolling, not pluming themselves with illusory successes.

Privatization—the Greek Gift of Reckless Reform Impetus

The causes of inflation in the republic are ambivalent. I would rank the most essential and noncriminal causes in the following order. 1. The blockade. 2. The energy and raw material shortages. 3. The costs caused by the detonation of the systemic relationships in the republic's economy. 4. The distortion of the structure of demand and the correlation of the rates of profit in trade and industry.

The first cause is of a political nature and should necessarily have been resolved either by the most emphatic actions in foreign policy or by just as single-minded actions within the republic. By having concentrated, not dispersed on account of the market chimera, the available resources, of which there were initially more than enough, all accessible outlets to the outside world should have been created. But the constant fawning before unfriendly neighbors, the half-baked and amorphous nature of the strategic plans, and the rash reform impetus brought the problem to an impasse.

The second cause. The outside world and Russia, on account of its inappropriate and inopportune liberalization of fuel and raw material prices, may also be blamed for the energy and raw material costs, but nor should we forget our own actions either. The nuclear power plant, the Alaberdskiy Works, the Nairit—it is hard to explain their closure by short-sightedness or ignorance. The impression is rather one of precisely calibrated blows, which even a more successful economy would not have withstood. One way or another, the problem should have been tackled in several directions rectifying as quickly as possible the damage that had been done. The vacillation and missed opportunities, which delayed for several years the restoration of production, of the nuclear power plant particularly, are unforgivable. In addition, there should have been a reorientation toward the maximum use of internal resources, for the government could have embarked on the accelerated creation of production complexes relatively restricted to our own raw material, the foundations of which had been laid in previous years. Finally, a search for spheres of the sale of our own commodities, at prices that had been raised, but not to the world level (owing to the low compensation for labor), would have been useful. The smoothing over of the engineering backwardness, an increase in the knowledge of marketing, and compensation for the additional costs could have been facilitated with the joint efforts of the center and the enterprises.

Present as an essential factor in all the enumerated and, generally, perfectly obvious solutions is the assertiveness of the state and, even if in limited volume, the former structure of management of the economy, which, it has to be acknowledged, best corresponded to emergency situations like ours. The choice between a form of leadership analogous in some respects to the Soviet leadership, but corresponding to current realities, and "free," "democratic," market relations was, of course, decided in favor of the latter. We are today gathering the fruit of this. The erstwhile funds have vanished into the sand (or into the unworn pockets of con men), and our own forces are just about exhausted. We are prepared to independently lick the hand of the devil even, as long as the fingers of the blockade be released from our throat. Production could then breathe freely, and instead of a paltry several percent, we could obtain results tens of times greater.

Azerbaijan

Delegation To Negotiate With Armenia Through OSCE

NC1206203295 Baku TURAN in English
1605 GMT 12 Jun 95

[FBIS Transcribed Text] Baku (JUNE 12) TURAN—A delegation of Azerbaijan Foreign Ministry headed by Deputy Foreign Minister Tofik Zulfugarov is leaving for Helsinki for participation at the negotiations for the settling the Azeri-Armenian conflict within the framework of the OSCE. The negotiations will be held from June 15 through 23. The discussion of Major Political Agreement on the basis of the Budapest documents is scheduled. There will be full and non-full sessions of the Misnk group. The authoritative representatives will represent the Azeri and Armenian communities of Nagorno-Karabakh as the interested parties. Despite previous negative statements Armenia agreed to take part at the negotiations in Helsinki. "We treat it as a positive and important step," Zulfugarov said.

As is known official Yerevan stated that it suspends its participation in the Minsk group due to explosion of gas pipeline Tbilisi-Yerevan at the territory of Georgia on May 21. Then Armenia condemned Azerbaijan in the organisation of explosion. Then two local Georgians and six Azeris undermined at the same territory. During preliminary investigation by law enforcement bodies of Georgia additional four mines were found. The representatives of Azeri community does not exclude the fact that the explosion of pipeline as well as the diversions on the road were made by certain groups in Armenia and by third forces which are interested in the conflict between Georgians and Azeris. It is noteworthy that renewed Armenian activity each time coincides with new initiatives by the OSCE Minsk group. Political observers note also parallel strengthening of relations Yerevan-Tbilisi, construction of gas pipeline from Iran to Armenia in particular.

Recent Activities in Legislature Reviewed

954F2495A Baku ZERKALO in Russian 3 Jun 95
No 21, p 4

[Article by A. Babakhanova: "State of Emergency Lifted: Now Everyone Except Conscripts Can Leave the Republic"]

[FBIS Translated Text] On 30 May deputies raised a great many important issues requiring urgent resolution, as the speaker himself acknowledged. The speaker of parliament promised to resolve certain problems himself. For example, he gave instructions to the Supreme Council apparatus that very day to draw up a letter for his signature to the republic minister of defense, proposing that all restrictions on men leaving the republic, except men of conscription age, be lifted. The speaker also promised M. Fattayev that he would "ask" the minister of finance not to hold back the issue of leave funds for teachers during the summer vacation period.

Many accusations were directed towards the government and specific members of the government who declined to implement parliamentary decrees. V. Akhmedov, deputy chairman of the parliamentary Commission on Economic Policy, informed deputies that for reasons not understood the government was refusing to provide the parliament all information on budget implementation, and he asked the speaker to take measures in this regard.

One deputy proposed that the government's report on implementation of the 14 December 1994 Decree on Social Protection of the Populace be heard, insofar as one of the points therein required implementation in two months, and more than five months had passed. E. Mamedov proposed that the threats of parliamentarians to punish "disobedient" ministers finally be put into effect, beginning with Minister of Internal Affairs R. Usubov, who refused three times to appear in court for the case involving insult to the honor and dignity of a people's deputy.

The draft Law on Customs Duties was presented by Dzh. Nuriyev, chairman of the parliamentary Commission for Budget Oversight, who noted that it would be proper to first adopt a law on the customs service, and only then examine this one. But the government has not yet presented such a draft law. In addition, Dzh. Nuriyev focused the attention of deputies on the unfinished state of the proposed draft law. Following a short debate on the draft law, the deputies decided to transmit it to a commission for finalization.

The proposal of the Procurator General to file criminal charges against Sh. Dzhafarov, people's deputy and member of the Azerbaijan People's Front, and arrest him gave rise to disagreement among the deputies. R. Ismaylov, chairman of the parliamentary Commission on Education, Culture, Science, and Religion, stated he had data indicating that the prisons of the republic, which used to be empty, had become overcrowded over the past two years. "We are now taking 30-40 years to rehabilitate those subject to repression in 1937. Will there not be a time when we rehabilitate those presently being arrested?"—R. Ismaylov continued. He then called upon his colleagues to give more serious consideration to the fate of his comrade, People's Deputy Sh. Dzhafarov.

In turn, republic Procurator General E. Gasanov cautioned deputies against attributing political overtones to this case. In his words, Sh. Dzhafarov was being accused only of the establishment of illegal armed formations, and investigation officials had no documents attesting to his pursuit of any political objectives, including overthrow of the authority.

In the opinion of speaker of parliament R. Guliyev, the people's deputy might be forgiven a great many things, but not murder (two people were killed during the clashes between government forces and the supporters of Sh. Dzhafarov in August 1994), bribery, and squandering the people's property.

The proposal of the republic procurator general to file criminal charges against Sh. Dzhafarov and arrest him was approved by a majority vote in the parliament. Opposition deputies either took no part in the voting whatsoever, voted against, or abstained.

At its following session 2 June, the Milli Mejlis adopted a resolution lifting the state of emergency. As the speaker stated, all types of censorship, except military censorship, would also be lifted.

The Decree on Procedure for the Collection of Income Tax From Physical Persons was also examined. According to this decree, taxes will henceforth be collected from individuals who earn three times the minimum wage or more. According to Dzh. Nuriyev, sponsor of this draft decree, this will bring about a 1.9-fold reduction, or up to 180 percent, of taxes overall. The reduction will be effected through a decrease in the revenue portion of the budget.

Party Views on Election Law Examined

954F2494A Baku ZERKALO in Russian
No 21, 3 June 95 p 6

[Article by N. Aliyev: "Threshold of Elections: Work Now on Schedule"]

[FBIS Translated Text] Political parties are still preparing for the upcoming elections to parliament. The main directions of their practical activities are rather easy to define, at least for the foreseeable future: the state of emergency, which expires at the beginning of June, and the law "On Elections," expected to be adopted by the parliament very soon.

Each extension of the state of emergency caused and most likely will keep causing a storm of protest on the part of the opposition. Now, anticipating a potential extension of the state of emergency by the parliament, the Musavat party last week came up with a statement on the subject, in which the state of emergency is linked with parliamentary elections and the inability to hold another congress of its party. In the party's opinion, the state of emergency creates unequal conditions for political forces, which should not happen in a democratic society.

The "roundtable" of political parties spoke up almost as quickly. At meetings of the opposition parties, which have become more frequent lately, talk continues about the government not allowing truly democratic elections and at the same it is said that an alternative version of the law on elections is needed. Both the "roundtable" and the Democratic Congress are unanimous in the view that the law drafted during the Elchibey administration may serve as such an alternative.

As to this draft, in the opinion of some experts, it has several shortcomings. The first is the number of deputies. This draft envisages a parliament of 121 deputies. Meanwhile, the parliaments of a score of European countries with about the same population size consist of 170-180 deputies. The draft proposed to elect 50 deputies through a majority-based system by absolute majority, and 50 percent proportionally through party lists. Even at the time, this provision was heatedly argued: Why precisely 50:50? No more than one-tenth of the country's population is affiliated with any parties. One of the most important functions of any democratic parliament is the representative one. If, however, the country's population is not represented in the representative organ, it is, to put it mildly, undemocratic.

In addition to the law on elections, the opposition is carefully watching the work on the draft of the new fundamental law of Azerbaijan—the Constitution. Deputy

Speaker of Parliament Yashar Aliyev recently reported that work on the draft constitution is almost complete, and it will be presented to a national referendum together with the draft law on elections, work on which, according to him, also is almost done. Meanwhile the Democratic Party of Azerbaijan, which is distinguished by its activism, intends to present an alternative draft of the national constitution for the consideration of the National Assembly.

In addition to the democrats, the Azerbaijani Islamic Party also prepared an alternative draft of the law on elections. The draft envisages a combination principle of elections and a one-chamber parliament. It has not yet been presented to the parliament, however.

At a scheduled opposition meeting, a representative of the Party of National Independence [PNNA] said that the PNNA will participate in elections independently. He did emphasize at the same time, however, that forming blocs in the election campaign is very important. National Front [NFA] representatives, citing the fact that the authorities still had not given official permission to hold a National Front congress, expressed doubt that the NFA will participate in elections, since it needs to first resolve organizational issues and approve the election platform. The "roundtable" statement notes that "extending the state of emergency and tightening political censorship" create conditions that may prompt the "roundtable" to boycott the elections.

Opposition representatives continue to speak in the mass media, saying that the government will not be able to get the majority of seats in the future parliament. In particular, one of the leaders of the Association of Baku and Its Villages said that the "Azerbaijani leadership will not be able to place a single candidate of its own in the parliament through electoral districts on the territory of Baku villages." According to him, it is unknown which party will get the majority of seats in the parliament, since it is unknown "how democratic the elections will be." But, he believes, only those parties "that not only issued appeals and statements but also actually did something" will be able to achieve victory.

Meanwhile, one of the most powerful opposition movements—the People's Front—continues to sustain setbacks. Minister of Internal Affairs Ramil Usubov said at the end of last week that "concrete facts have been established regarding links between members of the NFA leadership and the March events in Baku." This in effect answers the question of providing protection for A. Elchibey—according to the minister, no negotiations "will be conducted on providing protection for NFA Chairman Abulfaz Elchibey, and the law enforcement organs reserve the right to take steps to disarm illegal formations surrounding the NFA leader."

Calls continue to sound for the democratic camp's consolidation. Siradjeddin Gadji, acting chairman of the Ana Torpag party, said that he believes it expedient for the Democratic Congress to participate in elections with "one leader, one electoral platform, and one list." The opposition is attempting to coordinate its actions within the framework of the "roundtable" of political parties. For instance, participants in one of the meetings of the electoral commission of the Independent Democratic Party of Azerbaijan came to the conclusion that it is necessary to set up a single Union of Political Parties within the framework of the "roundtable" for democratic, honest elections. And at the "roundtable" meeting an interparty agreement on cooperation between 16 parties was signed.

It will take a minimum of three to four weeks to complete the work on the draft law "On Parliamentary Elections." According to A. Atakishiyev, secretary on legislation of the Supreme Council's Secretariat, it is still unknown whether a 2 or 5 percent threshold will be set with respect to the votes the candidates from political parties will have to collect; it is unknown whether the parliament will have one or two chambers; and the question of how many deputies will be elected through a majority-based system and how many through party lists is still under consideration. So, there is still time, and political forces undoubtedly will try to use it with maximum effectiveness.

Georgia

Foreign Minister on Official Visit to Turkey

Chikvaidze Arrives in Turkey

LD1206191595 Moscow ITAR-TASS in English 1905 GMT 12 Jun 95

[By Andrey Palaria]

[FBIS Transcribed Text] Ankara, June 12 (ITAR-TASS) — Georgian Foreign Minister Aleksandre Chikvaidze on Monday [12 June] arrived in Turkey for an official visit. He is scheduled to meet Turkish top officials to discuss the current state and prospects for Georgian-Turkish relations.

According to Chikvaidze, during his two-day visit, he also expects to sign a consular agreement on a visa-free travelling of Georgian and Turkish diplomats and business people. In the future, this regime is to extend to cover all layers of residents in both countries.

Meeting his Georgian counterpart at the Ankara airport, Turkish Foreign Minister Erdal Inonu described Georgian-Turkish relations as "friendly and brotherly". Turkey was among the first countries to recognize Georgia's independence after the collapse of the former Soviet Union.

The two foreign ministers are expected to have official talks later in the afternoon. On Tuesday, Chikvaidze is due to meet Turkish parliament speaker Husamettin Cindoruk and Agricultural Minister Refaiidin Sahin.

On Wednesday, the Georgian minister will leave for Istanbul and then return to Georgia.

Received by Turkish Counterpart

LD1206162595 Moscow ITAR-TASS World Service in Russian 1240 GMT 12 Jun 95

[By ITAR-TASS correspondent Andrey Palariya]

[FBIS Translated Text] Ankara, 12 Jun (ITAR-TASS) — The state of relations between Georgia and Turkey and prospects for their development will be on the agenda for Georgian Foreign Minister Aleksandre Chikvaidze, who arrived in Ankara on an official visit today, and Turkish leaders.

According to Chikvaidze, there are plans during the two-day visit to sign a consular agreement on visa-free travel between the two countries for diplomats and businessmen. Subsequently, the minister stressed, this will apply to all other citizens of the two states.

Meeting his Georgian colleague at Ankara airport, Turkish Foreign Minister Erdal Inonu described relations between Georgia and Turkey as "amicable and fraternal"; Turkey, he said, was one of the first countries to recognize Georgia's independence after the collapse of the USSR.

The two foreign ministers are expected to hold official talks today. Chikvaidze is due to meet Turkish Grand Assembly Speaker Husamettin Cindoruk and Agriculture [and Rural Affairs] Minister Refaiddin Sahin tomorrow.

The Georgian minister will leave for Istanbul on Wednesday from where he will return home the same day.

Russian Military, UN Observers Arrive in Gali

LD1206164195 Tbilisi CONTACT INFORMATION AGENCY in Russian 1430 GMT 12 Jun 95

[FBIS Translated Text] Gali [no dateline as received] — As has become known, representatives of the Russian troops' headquarters in the Transcaucasus and the UN military observers deployed in Sukhumi and Pitsunda, have arrived in Gali. At present in Abkhazia, there are 136 military observers from various countries of the world.

Chechen Organization Raising Funds for Arms

LD1206175795 Tbilisi Radio Tbilisi Network in Georgian 1700 GMT 12 Jun 95

[FBIS Translated Text] Hajarat, a new political and social organization, has been set up in Sukhumi. The organization's aim is to give military and economic aid to Chechen militants. Hajarat members have asked their fellow countrymen and businessmen in Moscow and in Krasnodarskiy territories to start raising funds to buy arms for defending Chechnya.

A bandit group has been formed following the appeal by the so-called Chechnya relief committee and is functioning in close coordination with Abkhaz separatists. This formation is made up of over 300 Abkhazians and Chechen militants who stayed on in Abkhazia after the fall of Sukhumi. The bandit formation is preparing to infiltrate Chechnya and fight the Russian federal troops.

Shevardnadze Views Domestic, Foreign Issues

LD1206103595 Tbilisi Radio Tbilisi Network in Georgian 0503 GMT 12 Jun 95

[Regular weekly interview with Eduard Shevardnadze, chairman of the Council of State, by announcer Nato Oniani — live]

[FBIS Translated Excerpt] [Oniani] Good morning. Mr. Shevardnadze, last week you were in western Georgia, where you visited various enterprises and had meetings with representatives of the local authorities, workers, and entrepreneurs. Before that, you visited a number of enterprises and banks in Tbilisi. You said that 300 new enterprises had been launched in Tbilisi alone and that this was a vivid indication of positive developments in the Georgian economy.

[Shevardnadze] Thank you. Good morning. I would like to tell listeners that the economic review will be quite long today. I had very interesting and useful meetings in western Georgia. I saw myself that the working people as well as the local administration are eager to revive the economy and are sparing no effort to bring Georgia's economy back to normal. I was happy to see how coordinated the activities of the representatives of the head of state and the local administration were. Their enthusiasm and faith in what they are doing really impressed me.

I would like to emphasize that I was impressed by the progress in agriculture. I was really happy to see that the vineyards were well preserved in Imereti region.

[Oniani] In contrast to the Kakheti region?

[Shevardnadze] One cannot help being thrilled by the care for the vine that the population of the province demonstrates. One also should welcome the fact that livestock has increased. Livestock doubled and even trebled in almost all districts. It is difficult to believe this unless you see it with your own eyes. I had an opportunity to see it on the spot as well from above, I mean from a helicopter. I saw numerous herds in the fields.

[Oniani] It happened without any intervention by the state, did it not?

[Shevardnadze] Yes, without the state intervening in it. Incidentally, the public sector has almost no significance at present and this is good. This should be the case. The state should take up the function of promoting the cooperation of the people. The cooperatives may involve five families or 10 families. The state should be involved in arranging import and supply of forage and many other things that are related to the development of livestock raising.

A series of problems were outlined during the meetings, which included improvement of legislation on taxation and banking. By the way, I have to indicate that we, the Parliament, often consider various legislative acts, especially related to taxes, without contacts with entrepreneurs, without considering their views, without considering the views of local district administrators, town administrators and representatives of the head of state. This is inadmissible. [passage omitted: Shevardnadze says that local authorities should coordinate their activities, proper decisions should be made]

A meeting held at the head of state's office on Sunday is also worth mentioning. The meeting discussed initial results and the immediate tasks of mass privatization. Privatization is the sphere where the anticrisis reform approved by our Parliament is being implemented quite consistently. [passage omitted]

The process of flotation of the enterprises has been stepped up by the head of state's decree issued on 24 May 1994, which regulates direct sales of packages of shares. Some question the necessity of all the rights given to the head of state. This right has facilitated the huge process of privatization to get started, which is supposed to change our economy completely and transfer it to the market economy. According to data provided by the Ministry of State Property Management, 752 of 800 joint-stock organizations have been established enjoying benefits provided by the above-mentioned edict since it was issued in 1994. Altogether, over 700 million shares have been registered and issued, the total cost of which exceeds $1 billion. Over 90,000 employees of enterprises or persons equalled to them by law have already enjoyed the right to buy shares at 20 percent reduced price or get them free of charge. [passage omitted]

In addition over 40,000 juridical and real perons, who acquired relatively big packages of shares, have been recorded. They will purchase over 50 million shares costing over $75 million at about 660 joint-stock organizations after paying the costs in accordance with the regulations on favorable conditions of acquiring shares. [passage omitted]

Shares worth over $30 million should be paid by privatization cards, that is, vouchers. The regulation on direct purchase of shares stipulates that 30 percent of shares will be paid by vouchers. By 1 November 1995, at least 60 percent of the sum planned to be paid by vouchers will be used. The regulation creates a concrete demand for vouchers. From over 700,000 vouchers to be used in accordance with the regulation, at least 35,000 are to be received as payment each month and by 1 November at least 420,000 vouchers should be used. Special auctions of vouchers will be held to secure their use. [passage omitted]

At least 35 percent of the shares issued by joint-stock organizations are due to be sold at the auctions. The number of shares to be auctioned will often exceed 40-55 percent of the total. At least 250 million of a total 700 million shares worth over $380 million are planned to be sold at auctions for vouchers during the period of the validity of vouchers, that is before 1 July 1996. Some 50 special auctions are envisaged before 1 July 1996. The first trial auction is scheduled to be held from 26 June to 10 July. About 3 million shares issued by 25 joint-stock organizations and worth over $4 million will be on sale at the first auction. [passage omitted: measures to be taken to secure proper and timely distribution of vouchers]

Favorable conditions should be created for investment funds, and legislation should be adopted on securities. The legislation on securities is of primary importance. I have been told that a draft law is ready, and I suggest that Parliament should speed up discussing and adopting it. [passage omitted]

It has been common talk over the past year and a half that we are not reformers and the authorities oppose reforms. [passage omitted] All this needed to be prepared. It takes time to issue shares, this huge amount of vouchers, to pass the legislation, which is a basis for any reform. The mass flotation has started now and it will make each citizen a proprietor. [passage omitted: currency exchange rates are stable; the U.S.

dollar stands at 1.3 million coupons; the Russian ruble fluctuates from 250 to 260 coupons]

A stable coupon enables us to take yet another step toward strengthening the national monetary system. The basis is ready now and it becomes possible to have the coupon made the only real tender. A decree has been prepared that will finally declare the coupon as an obligatory means of payment during cash transactions in the republic's market. This will become a decisive step toward a successful monetary reform, which we are approaching. I repeat — which we are now approaching. [passage omitted] However, at the same time, using other currencies will be permitted in order not to create additional difficulties for the population. But, in this case, the consent of both parties — the payee and the payer — will be absolutely necessary.

According to reports by the the State Tax Inspectorate, revenues totalled 26.5 trillion coupons in the past period of the second quarter 1995. This makes 99.2 percent of the sum planned for the two months by the International Monetary Fund. This also should mean something for those who are not blind. Tax revenues in May totalled 16 trillion coupons. This exceeds the planned income of 13.5 trillion coupons by 2.5 trillion coupons and the April income by 5 trillion coupons.

The inspection carried out by the republic's and local tax inspectorates revealed that individual enterprises and organizations still infringe the tax legislation by concealing incomes and evading payments to the budget. As a result of the inspection carried out in 517 organizations of Tbilisi in the second quarter of 1995, additional payments of 5 trillion were ordered. [passage omitted: similar situation exists in other areas of Georgia]

I suggest that stricter measures against tax evasion must be drafted by appropriate commissions in the Parliament together with the Finance Ministry, the Tax Inspectorate, Justice Ministry and the Prosecutor-General's Office. Those who evade paying taxes have no right to produce or sell anything. [passage omitted: certain enterprises are back in operation]

[Oniani] Thank you. Last week you already made a statement about Ardzinba's new caprice, I mean then idea of a referendum... Also last week, the commander of the Russian Federal Border Service, Andrey Nikolayev, visited Georgia. What is your assessment of these two events?

[Shevardnadze] I shall not make a special comment on Vladislav Ardzinba's statements because I spoke about them in Kutaisi and this was broadcast on TV. This could be disseminated as a statement, I believe. The visits by General Nikolayev have become common. It is natural and appropriate that he often visits the Caucasus.

A series of activities involving the CIS countries has also become common. I mentioned during our previous conversation a meeting of the heads of security services in Tbilisi. The interior ministers are arriving in our capital city. The meetings principally aim at the protection of borders; the fight against smugglers, drug dealers, and arms dealers; and the curtailment of the activities of various fighters and criminals. [passage indistinct]

There was an impressive — I mean impressive by Georgian standards — show of foreign-made cars around the Philharmonic Hall in the Tbilisi movement. I have been told that before starting to hand out free Coca-Cola and cookies, a member of the Rescue Corps announced: Help yourselves. We are giving you free food and drinks but don't be like Shevardnadze and ask how we manage it and where we get it from.

I accept this criticism, indeed, and I am not asking those owners of foreign cars, criminals, or the honestly rich — believe it or not — where they got all this from, from the West or from the East. Listeners will understand which west and which east I mean.

And yet another point. All of Georgia is worried and seized by fear. This is accounted for roughly the following: People, get ready, a dictator, that is Shevardnadze, is coming. [laughs]

Now, some explanations with regard to dictatorship. Is it dictatorship to use rights given to the head of state by the parliament, which was elected during a civil war? What sort of a dictator would have held elections while bullets and shells whined? I am confident that my esteemed opponents, who were so noisy in the auditorium, will not be able to name such an instance.

Or consider the draft constitution submitted to the commission by this dictator along with others and offered now to the parliament and the population for public consideration and a referendum. Does this look like establishing a dictatorship? No, gentlemen, you are as far from democracy as I am from dictatorship. Some need democracy so that criminals are able to get complete freedom. This won't work. Times have changed. The time of criminal rule has gone by. Thank God, it has. We have another Georgia, and we are building a different state.

I have already said this, and I will reiterate: The criminalization of politics as well as the politization of criminals will come to an end. Honest and intellectual people, honest and intellectual politicians rather than criminals will be the winners at the next elections. No one will be able to appear armed at polling stations. Neither will you, gentlemen, manage to buy the conscience of all citizens with the money you have in abundance no matter how you acquired it. So, elections will be held, and honest and intellectual individuals will win.

[Oniani] At the end of the current week, you are going, shall we say at last, on an official visit to Israel. When you visited a synagogue in Kutaisi and had a very warm meeting with the local Jewish community, they told you that you had long been expected in Israel and now they were happy you were going there. What common interests of the two countries can we speak about today?

[Shevardnadze] We, in Georgia, attach significant importance to the visit to Israel. The relations between Georgians and Jews are special. This is a special phenomenon. Think of only the fact that Georgians and Jews have lived side by side here, on the Georgian soil — in Tbilisi, Kutaisi, Samtredia, Sukhumi, Oni and other towns and villages for over 26 centuries.

Many of our compatriots have become citizens of Israel. They are enjoying it, as far as I know. We do not want Georgia to lose them and neither do we want them to lose Georgia. These links are very important but, indeed, the principal goal is to create a legal basis for interstate relations. Everything has been prepared for this. I am looking forward to meeting the country's president, prime minister, and foreign minister. I have known them for quite a while and have had personal ties with them.

In addition, it has been my long time dream to set foot on the land where great Shota Rustaveli [13th Century Georgian poet] is buried and genuflect before the places in Palestine sacred to our great ancestors. [passage omitted]

Air Defense Forces Launch Alert Duty Watch

MM1206181695 Moscow KRASNAYA ZVEZDA in Russian 10 Jun 95 p 3

[Report by Vitaliy Denisov from the "Regional News" column: "Not Just Any Old 'Bird' Will Be Able To Fly Over Georgia Now"]

[FBIS Translated Text] Tbilisi — For the first time since the day the republic gained independence, Georgian Air Defense Forces have begun alert duty. The Georgian Defense Ministry informed KRASNAYA ZVEZDA's correspondent that alert status is being maintained by two radar stations, a central control center, and three Air Defense Forces subunits, which control the airspace over a radius of 400 km from Tbilisi. Full control of the airspace over the country's entire territory will be established in the near future with Russia's active aid and assistance.

Estonia

Defense Minister on NATO Meeting in Brussels

LD1206124695 Tallinn Radio Tallinn Network in Estonian 0600 GMT 12 Jun 95

[FBIS Translated Text] Western countries are interested in Estonia's involvement in NATO activities. Here is correspondent Urmas Loit with the details.

[Loit] Estonia's prime task is to bring to the great powers' attention that it is the small countries' political status that reflects democracy in the world. This is what Defense Minister Andrus Oovel said to Estonian Radio late last night as he returned from Brussels. At the meeting of defense ministers of the NATO and Partnership for Peace [PFP] program countries, Andrus Oovel explained that to avoid a repeat of Yalta and Tehran, we must be members of international defense organizations and take part in the drawing up of their action programs.

[Begin recording] [Oovel] Forty countries were attending the meeting and we were given the floor at two sessions, before and after lunch, on three occasions. We said what we thought of the Yugoslav issue, of the progress in the planning and surveying process within the PFP program, as well as our ideas and plans regarding multilateral and bilateral cooperation to be carried out by the countries within the European security space.

In the course of bilateral meetings with the Canadian, Czech, Polish, Slovenian, and Norwegian defense ministers, various defense cooperation issues were touched upon. I believe that the outcome of all these meetings is positive in the sense that Estonia is seen in the world, not only as a consumer of security, but also as a state wishing to produce security and participate in the processes taking place in Europe.

[Loit] This, as I understand, has also to do with the Baltic peacekeeping battalion.

[Oovel] Yes. Inasmuch as Norway has been appointed by NATO as the country to coordinate the Estonian peacekeeping mission, then first and foremost those issues were under discussion. It was agreed with the Norwegian defense minister that on 14-15 August the Norwegian defense minister would visit Estonia, and on one hand, an agreement on mutual defense cooperation will be signed, and on the other hand, a specific action plan as to how the state of Norway will be able to help Estonia in the formation of a peacekeeping battalion.

[Loit] What do you think now, after this meeting? When will NATO's expansion take place and can Estonia become a NATO member?

[Oovel] This is very interesting, indeed that this was not a question put by me. No, this question was repeatedly asked of me, and on two occasions by the U.S. secretary of defense: What is Estonia's position? Do we envisage that we might become a NATO member before becoming an EU member? And what in our view will be the situation afterwards within the European security space and what might be the reaction of Russia? This is a sign of a serious interest in Estonia and the other Baltic states. I believe that if within the past two or three years we have been speaking of NATO membership as of an impossible dream, then the 16 months of PFP have led us considerably closer to moving the NATO umbrella in fact towards Estonia.

[Loit] What was your answer to William Perry [U.S. secretary of defense]?

[Oovel] The clearer the position on the Estonian side and on the side of our European partners and of Americans, about Estonia being part of the European security structures, the easier it is to ensure the democratization process in Russia. Quite frequently our Western partners' thesis is that Russia must not be upset, and for this reason the Baltic states should not be within the NATO sphere of interest. At all the meetings, my position has been clearly the opposite and I have been emphasizing precisely this: Wishing to assist towards the democratization processes in Russia, we must define very clearly the status of the Baltic states. [end recording]

President Sends Congratulations to Yeltsin

LD1206180495 Tallinn Radio Tallinn Network in Estonian 1700 GMT 12 Jun 95

[FBIS Translated Text] President Lennart Meri sent a congratulatory telegram to Russian President Boris Yeltsin on the occasion of Russia's independence day. In his telegram, the president notes that the Estonia highly rates the Russian peoples' determination and Yeltsin's personal contribution due to which it became possible to destroy the totalitarian regime based on the dictatorship of a single party. The presidential press service reported this information.

President Meri said that Estonia is following — with intense sympathy — the complicated process of the formation of Russian democratic statehood and would never forget that Russia was one of the first countries to restore diplomatic relations with Estonia. Meri noted in his telegram that the present Russian anniversary provides him with an opportunity to wish success to Russians in their democratic reconstruction work, which serves as a guarantee to social harmony, economic prosperity, and free individuals' vigorous creativity.

Russian Parliamentary Delegation on Working Visit

LD1206182595 Tallinn Estonian Television Network in 1545 GMT 12 Jun 95

[FBIS Translated Excerpt] [Passage omitted] For the State Duma's Baltic group in Estonia from today until 14 June, it has been a working day. The delegation is made up of Irina Zubkevich, Viktor Davydkin, and Vladimir Vasilyev. Their visit includes a meeting with the Riigikogu speaker Toomas Savi, Prime Minister Tiit Vahi, Estonian parliament's foreign commission members, and the Estonian-Russian parliamentary group. Also, the Russian visitors will visit Paldiski and familiarize themselves with the Russian cultural center in Tallinn. Literally 15 minutes before we went on the air my colleague Einar Vaari returned from the Russian delegation's news conference, and now he will tell you what was discussed there.

[Vaari] According to what Juhan Aare, member of the Estonian parliament, said, the Russian delegation is here at an invitation from the Estonian-Russian parliamentary group. The group was set up on 2 May with the aim of developing contacts between the Riigikogu and the Russian State Duma. As noted at the news conference, the two countries' members of parliament [MPs] are making but their first steps on the path of smoothing relations between our states. Here interparliamentary relations were rated higher than the intergovernmental ones.

At the news conference, border, citizenship, and resettler issues were touched upon. Issues to do with the expulsion of Petr Rozhok, Vladimir Zhirinovskiy's representative in Estonia, did not escape the attention of journalists.

[Begin recording] [Unidentified Russian male MP] I think this may have been a mistake of the local authorities that they altogether started this noise around Rozhok. [end recording]

[Vaari] Both Russian representatives and the Estonian MPs see in the strengthening of economic links between Estonia and Russia the main path for developing good-neighborly relations.

Latvia

Rules on International Operations Approved

WS1306082595 Tallinn BNS in English 1603 GMT 12 Jun 95

[FBIS Transcribed Text] Riga, June 12 (BNS) — The Latvian government's Foreign Affairs and Security Committee approved Monday rules on the order according to which Latvian National Armed Forces' units, participating in international operations, are to be set up and financed.

According to the rules, such units will be set up on a voluntary basis by signing an agreement between the volunteers and the Defense Ministry.

Obligatory service and reserve officers aged from 22 to 45, re-enlistment soldiers and reservists who have finished the obligatory service and are from 19 to 35 years old, as well as the National Armed Forces and the Interior Ministry's obligatory service soldiers, who have served at least a half of the servicing time, will be able to apply for service in the above mentioned units.

All expenses, connected with the maintenance of the units and soldiers' salaries are paid back from the U.N. budget after the mission is concluded.

The rules are also providing for social guarantees to soldiers who have become disabled or perished during the service.

The decision on a unit's participation in concrete operations will be passed by the Saeima [parliament].

Government To Cut Expenses, Fire Officials

WS1306073995 Riga LETA in English 1022 GMT 12 Jun 95

[From the "Press Review"]

[FBIS Transcribed Text] Riga, June 12 (LETA) — Latvia's newspapers report that on Saturday the Latvian government decided to reduce the budget expenses for all the ministers by 5 percent and discharge a large number of government officials. These measures will save 25 million lats in the budget. The finance ministry suggested that the budget expenses should be cut by 48 million lats. For this purpose the Cabinet formed a special working group headed by the State Revenues Minister, Aija Poca.

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